

The Calf Rarely Brands Itself
And Other Thoughts on Successful Place Branding

KCSourceLink
*Integrating Local Service Providers to Connect
Entrepreneurs with the Right Resource at the Right Time*

Fort Knox 2005 BRAC
An Opportunity for Regional Growth

Non-Traditional Economic Development
A Southern City Takes a New Direction

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Robin Roberts, FM
IEDC Chair

dear colleague

I am excited and honored to become IEDC's newly elected chair. This is a distinct privilege to serve as chair of this great organization. My responsibilities will be challenging and simultaneously rewarding in helping to maintain the organization as the premier association for economic developers. I am especially enthusiastic about working with IEDC's outstanding staff and all of the Board members.

Our Governance Committee members are *Ian Bromley, FM, MA, MBA* (vice chair of the Board), *Ronnie L. Bryant, CECD, FM, HLM* (Immediate Past Chair), *Dennis G. Coleman, CECD, FM* (Planning and Business Development), *Mike Kirchhoff, CECD* (Performance Oversight and Monitoring), and *Barbara K. Johnson* (External Member Relations). *William E. Best, FM*, is the new Secretary/Treasurer.

All of these individuals will be providing their special strengths to the Board and guiding IEDC into the future. The staff and Board are committed to maintaining the ongoing level of success that we have experienced, while striving to improve our value as an organization to our members.

It was a great pleasure to introduce IEDC's 2008-2013 Strategic Plan at the Leadership Summit in Orlando. As many of you know, new domestic and global conditions offer unprecedented opportunities as well as significant, still insufficiently understood threats to our communities and to our profession. The purpose of the Plan is to build off of our existing strengths while helping us as professionals adapt to changing realities.

In particular, as set forward in the Strategic Plan, IEDC's vision is to make sustainable economic development a priority in all size communities and at every level of government. The organization has established several strategic directions to attain this vision.

First, it plans to further strengthen the economic development profession and maintain the significance of the economic developer as a community leader. Second, IEDC will seek to provide world class, customized services to help our members meet the challenges and seize the opportunities of working in an increasingly dynamic, volatile, global economy. Finally, the organization's goal is to become the number one source of economic development knowledge and thought leadership worldwide.

The Strategic Plan offers numerous strategic objectives for each direction. These objectives include extending opportunities for individual professional development and certification, to broaden and deepen IEDC's knowledge of new conditions and how best to respond to emerging threats and opportunities, modifying our products and services to meet broadening membership needs, and revising our knowledge dissemination vehicles to meet diversifying membership needs and changing conditions.

In my role as IEDC chair, I look forward to assisting the organization with its mission of providing leadership and excellence in economic development for our communities, members, and partners. The Strategic Plan provides an excellent foundation upon which to accomplish this mission.

Robin Roberts, FM
IEDC Chair

THE IEDC Economic Development Journal

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the calf rarely

BRANDS ITSELF

By Andy Levine

Call it “Jumping on the Brand Wagon.”

Public and private leaders in communities across the world want to stamp an exciting, new brand on their city, region, state or country that will spur action. They want to attract growing companies that will invest in their community. They want travelers to book a vacation. They want to motivate meeting planners to schedule a conference. And they want talented workers to relocate and fill open positions in their region.

On the one hand, it's terrific to see so much attention assigned to the subject of place marketing. On the other hand, I believe the vast majority of place branding campaigns are off-target, poorly executed, and collectively wasting millions of dollars.

Looking to get started on a branding campaign? Or perhaps you want to refocus a current effort that is not delivering desired results? Here are five against-the-grain recommendations to consider and share with the “powers that be” within your community:

1. Be Different – Really Different... It's instructive to take a look at advertising campaigns designed for economic development organizations. Pick up the latest copy of *Site Selection*, *Business Facilities* or *Area Development* magazine. You will find yourself lost in a sea of sameness – with different communities touting near identical assets including their quality of life (an advantage that differs widely in the eye of the beholder), access to key markets (with so many communities located within 500 miles of the bulk of the US population is this really a point of distinction?) and a highly skilled labor force (clearly important but usually difficult to authenticate). In many cases, you can simply “cut and paste” the name of one community

ERASING THE TACOMA AROMA

Long considered an ugly step-child to Seattle, the city of Tacoma, Washington, faced a serious image problem. Paper mills that emitted a pungent odor fostered the phrase “The Tacoma Aroma.” As the former director of economic development put it: “We were the Rodney Dangerfield of Washington.”

The city set out to fix out-dated, negative perceptions with an aggressive branding campaign. After scores of interviews with public and private sector leaders as well as location advisors, a meaningful “value proposition” was identified. Tacoma had dramatically built up its telecommunication's infrastructure in recent years. In fact, the city could document that no other similar-sized community in the country had invested as much.

This insight led to the launch of the “America's #1 Wired City” campaign. Marketing missions to San Francisco, Los Angeles, New York, and Seattle announced the campaign in meetings with senior executives and location advisors. *The New York Times*, *Business Week*, *The Wall Street Journal* and *Seattle Times* wrote favorable stories. The campaign helped spark a renaissance with the city of Tacoma reporting the attraction of more than 100 technology companies over two years.

Andy Levine is president/chief creative officer of Development Counsellors International, New York, NY. He welcomes all viewpoints/comments on the topic of place branding and can be reached at andy.levine@dc-intl.com.

If you're going to succeed in branding a community, you need to stand out from the competition.

AND OTHER THOUGHTS ON SUCCESSFUL PLACE BRANDING

“Place branding” has taken the economic development world by storm with communities spending literally millions of dollars to stamp an exciting brand on their city, region or state. But as the author asserts, the vast majority of these campaigns are poorly designed and poorly executed and thus largely unsuccessful in advancing a community's image. “The Calf Rarely Brands Itself” puts forward five specific – and often counter-intuitive – recommendations for communities seeking to maximize their investment in building a powerful brand.

into a different advertisement with little impact.
If you're going to succeed in branding a community, you need to stand out from the competition.

What communities have done a good job in being “really different?” Here are two examples that would be at the top of my list:

- *Memphis, Tennessee...* With the combined advantages of a Federal Express superhub and the Mississippi River, Memphis has touted its logistics advantages for the past 25 years with enormous success. “America’s Distribution Center” may not be terribly sexy to the average consumer but it is tremendously meaningful to this target market.
- *Huntsville, Alabama...* Located in a state with a significant image challenge, Huntsville stands out with the highest per capita number of engineers in the country. The community has successfully leveraged its space program legacy to attract scores of defense contractors to a place where “The Sky Is Not the Limit.”

Among tourism campaigns, Austin, Texas (marketing itself as the “Live Music Capital of the World”), and Las Vegas (whose “What Happens Here, Stays Here” campaign has successfully communicated an adult playground theme) have been enormously effective.

Is it easy to identify what makes your community different? Heck no...In the United States alone, there are 50 states, 268 metropolitan statistical areas and nearly 20,000 cities or incorporated areas. But defining what makes your community different – really different – is the first step to success in place branding.

How can you discover this? It starts with interviews – lots of interviews. Schedule detailed sessions with your public sector leaders. Meet with corporate executives who are the captains of industry in your town (as well as those who are new to the community). And be sure to get an outsider’s view via research with location advisors and executives outside of your community. It’s also important to review how your community is portrayed by key rankings such as *Fortune’s* “Best Cities for Business” or *Money* magazine’s “Best Places to Live.”

Properly conducted, this research should lead to the identification of a “value proposition” or “brand promise.” For Tacoma, Washington, the “America’s #1 Wired City” campaign emerged from a research exercise.

Is it easy to identify what makes your community different?

Heck no...

In the United States alone, there are 50 states, 268 metropolitan statistical areas and nearly 20,000 cities or incorporated areas.

But defining what makes your community different –

really different – is the first step to success in place branding.

One final commentary on this – you not only have to find your point of differentiation but it also has to be a value proposition that is meaningful to your target audience. Having the largest number of mosquitoes per capita is indeed a point of differentiation, but it is obviously not a marketing advantage.

2. A Logo Is NOT a Strategy...At IEDC’s 2007 Annual Conference in Phoenix, I shared the stage with branding expert Duane Knapp in a mock political debate on the topic of “Place Branding.” I didn’t agree with everything that Duane had to say but I sure agree with his “a logo is not a strategy” observation.

In any major place branding campaign, I’m always struck by how much time and energy goes into the development of a logo and themeline. There is endless debate and mock-ups with advertising agencies racking up enormous fees. In one case, I can point to a state which spent over \$200,000 to develop a logo that featured a two-word themeline. The new logo was rejected after three months of public ridicule – obviously an embarrassing situation.

An effective branding campaign is much more than a logo. In simplest terms, an effective branding campaign is about:

- Discovering your community’s value proposition (or brand promise).
- Identifying your target audience.
- Determining the best and most creative tactics for

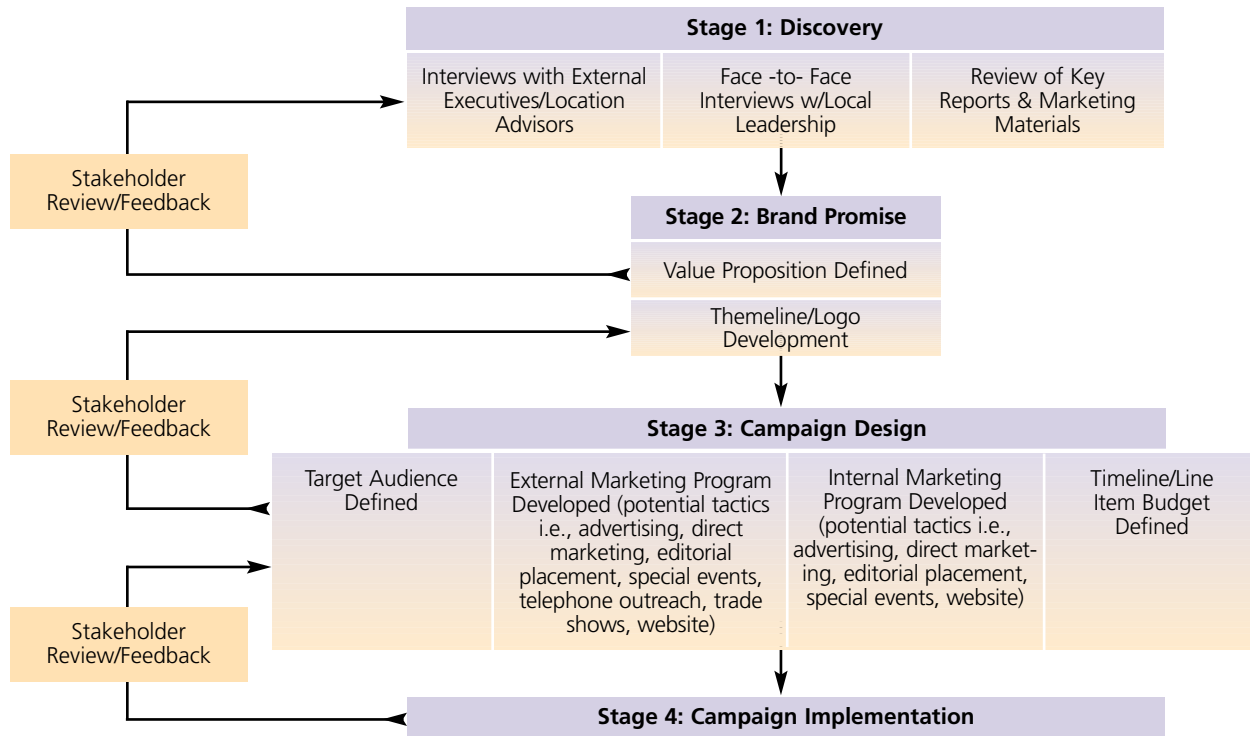
NAME THAT THEMELINE

Here’s a brief challenge for economic development professionals: can you match the themeline with the right state? Below are seven states and their marketing themelines.

State	Themeline
1. Indiana	a. State of Innovation
2. Louisiana	b. State of Perfect Balance
3. North Carolina	c. Accelerate Your Business
4. Ohio	d. Life Elevated
5. Pennsylvania	e. Innovation is in Our Nature
6. Utah	f. The State of Minds
7. Washington	g. A State of Opportunity

Answers: 1-c, 2-g, 3-f, 4-b, 5-a, 6-d, 7-e

Four Stages of the Place Branding Process



delivering that value proposition to your target audience.

- Implementing the campaign.

Yes, you need a professionally developed, graphic identity that reflects favorably on your organization and your community. But it is really only a small piece of the overall puzzle.

- 3. The Calf Rarely Brands Itself...** Marty Neumeir, the author of the popular marketing book “Zag,” has a wonderful definition of a brand:

“What exactly is a brand? Hint: It’s not a company’s logo or advertising. Those things are controlled by the company. Instead a brand is a customer’s gut feeling about a product service or company.”

Economic developers need to influence what industry leaders, influencers, and even your own corporate citizens are saying about your community. *What others say about you – not what you say about yourself – will build your brand.*

In today’s world of highly-competitive marketing, your own advertisements, printed materials, direct mail packages, DVDs, and website are becoming less and less effective. They are part of “the clutter” – an estimated 3,000+ marketing messages that the average consumer is hit with every day. Only a very small number of marketing messages actually get through. And the ones that do make it through are the ones that come from highly credible sources.

PROMOTING TOLEDO’S BRAND VIA MEDIA RELATIONS

Toledo’s Regional Growth Partnership longed to alter its image from a poster child of a rust-belt, manufacturing community to a region thriving in the new economy. At the center of Toledo’s story was the transformation of the region’s “old-style” glass manufacturing industry to the production of photovoltaic solar cells critical to the emerging renewable energy sector.

A backgrounder was developed detailing the new industry’s growth with specific company case histories. Tailored “pitches” were written and e-mailed to a small number of top-tier journalists. Persistent telephone follow-up identified reporter interest from several sources.

A *Newsweek* reporter who had previously written about the city was the first to take the bait. His visit to the region resulted in a two-page story titled “The Power of the Sun,” featuring a number of the region’s emerging solar energy companies, as well as the University of Toledo.

The Wall Street Journal followed suit with the Regional Growth Partnership hosting a seasoned reporter for a two-day visit. “Toledo Finds the Energy to Reinvent Itself” appeared on the front page of the paper’s “marketplace” section on December 18, 2007.

One of the best avenues for influencing corporate executive perceptions of a state, region or community, is to focus on the business media. Effective media relations – placing favorable stories about your community and its business climate – is a powerful tactic. In DCI's continuing survey of senior executives with site selection responsibilities, "articles in newspapers and magazines" consistently ranks as one of the most credible information sources for corporate decision-makers.

Need evidence of this? Look no further than the most successful consumer brands that have been built in recent years. Starbucks, EBay, Google, and Southwest Airlines are just a few examples of powerful brands built via effective media relations and "word of mouth." None relied on massive advertising campaigns to build a powerful brand (although it is true that nearly all have turned to advertising to maintain their brand leadership).

(*Let's give credit where credit is due. "The calf rarely brands itself" is a phrase uttered by Chuck Alvey, president of the Economic Development Authority of Western Nevada, at a marketing session at an IEDC conference in Philadelphia)

4. Find the Right Balance Between the External Customer and the Internal Customer...

In a perfect world, an economic development group's focus would be entirely on the external customer. This might include:

- Corporate executives with site selection responsibilities,
- Location advisors who influence these investment decisions,
- Knowledge and other skilled workers you are seeking to attract to your community,
- The news media who are credible, third-party influencers of all of the above groups.

But we don't live in a perfect world. And there are two key reasons that it is important to effectively communicate your brand locally as well as to the outside world:

- 1) Economic development organizations rely on a combination of public and private sector funding. So clearly it is important that your key stakeholders understand and support your campaign. It's a

pretty simple formula: no funding...no branding campaign.

- 2) The second reason is a bit less cynical. The local business community – indeed the entire citizenry – comes into frequent contact with the outside world via business colleagues, friends, and relatives. If they have positive views on the hometown and its progress, they will undoubtedly reflect this in their dialogue with the outside world. If their views are negative, the opposite will transpire. And in today's world, there is nothing more powerful and credible than "word of mouth."

The "communicate your brand to the home team" strategy offers a unique opportunity. A number of communities have operated "ambassador" programs that seek to arm local executives with key information and turn them into salespeople for the community. The Philadelphia region – via a now-transitioned, economic development group called Greater Philadelphia First – even went to great lengths to educate area limousine drivers about the region's business advantages. Creating an effective ambassador program is a difficult process to manage but can be extremely successful when it works.

In today's world of the blogs, podcasts and the Internet, there is an opportunity for especially innovative communities to build a similar group of "electronic ambassadors." This is an interesting idea that we will no doubt see executed in the years ahead.

5. **The Case Against a Single Brand....** The vast majority of well-funded "place branding" campaigns focus on marketing a community under one single banner. Political leaders and the private sector quickly embrace the concept of an overarching brand. "We all need to work together" is the mantra and in theory it makes a lot of sense.

But in practice it hasn't worked at all and here's why: *The needs of your different target audiences – potential visitors, corporate executives with site location responsibilities, meeting planners, location advisors, individuals considering moving to your community – are completely different.* Attempts to speak to them with a single, coordinated marketing message consistently fail.

Simply put, the single, over-arching brand, "let's market our community together" approach produces mush. And mush doesn't motivate anyone.

One of the best avenues for influencing corporate executive perceptions of a state, region or community, is to focus on the business media. Effective media relations – placing favorable stories about your community and its business climate – is a powerful tactic. In DCI's continuing survey of senior executives with site selection responsibilities, "articles in newspapers and magazines" consistently ranks as one of the most credible information sources for corporate decisionmakers.

So what can a community do? Adopt a graphic identify that is consistent and complimentary. The economic development themeline and logo should come from the same design playbook as the tourism graphics. Even the logo on a community's police cars should share the same look.

Essentially you need to change your message to fit the needs of your target audience but the look and feel of the materials should be uniform.

Are there opportunities for collaboration and coordination among different entities marketing your community? Absolutely. At the very least, the left hand needs to know what the right hand is doing.

So there you have it – five specific recommendations for place branding, including several that go against the conventional wisdom. It is my hope that the views presented here will generate debate within the economic development community.

Let me leave you with a final thought about place branding which brings me back to the analogy of the calf and a branding iron. When a rancher brands his calf, it is a mark that is with that animal for life. It is

A powerful brand should have staying power – it needs to be with you for many years. Take the time to figure it out and get it done properly. The next generation of economic developers who fill your shoes will thank you.

important to look at any community branding exercise with the same long-term view. A powerful brand should have staying power – it needs to be with you for many years. Take the time to figure it out and get it done properly. The next generation of economic developers who fill your shoes will thank you. 🌐



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kcsourcelink

By Maria Meyers

Kansas City is a great place to start and grow a company and is currently ranked 1st in the Midwest for large size cities in "Entrepreneur and NPRC's 2006 Hot Cities for Entrepreneurs."¹

This is largely due to the more than 140 nonprofit organizations that provide support services for entrepreneurs, prospective entrepreneurs, and small business owners.

Before KCSOURCELINK, those 140 resources provided both benefit and frustration. What consumed too much of entrepreneurs' time and resources was finding out about these services and then figuring out which of these 100+ organizations would be best suited to meet their needs.

Studies in the late 1990's in the Kansas City market revealed the following:

- A perception on the part of small business owners that there are many resources for creating new businesses, but few, if any, services supporting growth businesses.²
- Economic development and business support groups operate largely in isolation from one another. Despite similar client bases and mis-

sions, support organizations do not routinely leverage and share resources to increase their efficiency and the effectiveness of programs.³

- Small and growing firms were not championed as aggressively in Kansas City; economic developers and civic leaders focused on retaining and recruiting large corporations. Attempts to protect the traditional employ-

ment base of the region made the taxation, workforce and transportation needs of major employers more pressing than those of smaller emerging firms.³

- Entrepreneurs are looking for a "one-stop-shop" that does not duplicate service already available.²

Several of these studies provided suggestions and actions for improvement:

- Determine if there are a larger number of organizations catering to the pre-venture and start-up entrepreneurial markets rather than the growth market.²
- Identify and widely market the components within organizations that could and do assist entrepreneurs and small business owners beyond the start-up stage.²
- Define an agreed-upon language between entrepreneurs and service providers that removes the confusion regarding what is available and by whom.⁴

Before KCSOURCELINK, those 140 resources provided both benefit and frustration. What consumed too much of entrepreneurs' time and resources was finding out about these services and then figuring out which of these 100+ organizations would be best suited to meet their needs.

Maria Meyers is Network Builder for KCSOURCELINK.
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INTEGRATING LOCAL SERVICE PROVIDERS TO CONNECT ENTREPRENEURS WITH THE RIGHT RESOURCE AT THE RIGHT TIME

The Kansas City region is blessed with a wealth of resources that support new business development and growth. Finding those resources proved to be problematic to the entrepreneurs that needed them. Through KCSOURCELINK, a group of 140 nonprofit business development organizations banded together to create a highly visible and easily accessible business development network. The model solved the problem in Kansas City and is being used in other areas of the country to connect entrepreneurs to the right resource at the right time. KCSOURCELINK received IEDC's 2007 Multi-Year Economic Development Program Award for areas with a population greater than 200,000.

- Establish a clearinghouse for centralized resources: create an inventory of available resources, create a searchable online database, market for increased public awareness, and create a hotline number for referrals.⁵

What was missing was an integrated system that provides entrepreneurs with a highly identifiable, reliable source that provides connections to the right resources when and where the entrepreneurs need those resources.

Formed in 2003 by a powerful consortium among the Ewing Marion Kauffman Foundation, the U.S. Small Business Administration, and the University of Missouri – Kansas City's Henry W. Bloch School of Business and Public Administration, KCSOURCELINK has emerged as a major component of the Kansas City region's economic development strategy. It is now a program of the Bloch School's Institute for Entrepreneurship and Innovation.

KCSOURCELINK was created to meet this need for small business owners in the greater Kansas City region.

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KCSOURCELINK – THE EARLY DAYS

In 1998, Dr. Patricia Greene came to Kansas City as the Ewing Marion Kauffman/Missouri Chair in Entrepreneurial Leadership at the Henry W. Bloch School of Business and Public Administration at the University of Missouri – Kansas City. Dr. Greene embarked on two courses of action: to improve the scholarship and instruction of entrepreneurship on the UMKC campus and to make the considerable resources of UMKC accessible to local entrepreneurs.

She lobbied for and received oversight of a nearly empty UMKC-owned building on the outskirts of campus which became home for the UMKC entrepreneurial outreach programs. Other business development organizations were invited to join. By 2003, with support from the Ewing Marion Kauffman Foundation, about 20 entrepreneurial support organizations were calling it home, creating a one-stop-shop resource for entrepreneurs.

Client Success Story

Amanda Mindham, President & CEO
J&A Traffic Products LLC
Blue Springs, MO
Established June 2002



Amanda Mindham is a successful company owner who wanted help managing a growing business.

J&A Traffic Products is a distributor of traffic products, including highway and street signs, cones, and construction signs. Customers include local and state transportation departments, private construction, and traffic companies.

When Amanda Mindham initially called KCSOURCELINK in July 2003 she wanted to improve her ability to run her growing business. She was also interested in mentoring. KCSOURCELINK referred her to five different resource organizations that could meet her needs. She participated in the Kauffman Foundation's FastTrac Business Planning course, where she learned that "some things about her business needed to change." She also expanded her knowledge "about parts of the business that she needed to take into account that she had not been considering." She also learned the value of writing and updating her business plan on a yearly basis.

At the Kansas Women's Business Center, Mindham participated in a financial mentoring program which helped her to realize that she needed to make some changes in the financial structure of her business. She still participates in a Peer to Peer Roundtable discussion group organized by the Kansas Women's Business Center.

J&A Traffic Products continues to grow and prosper. The company moved from a 7500 sq.ft. warehouse to a new 20,000 sq.ft. warehouse in July 2006. In 2007 it grew to seven employees – an increase from four employees in 2005. The company's sales are up, and were expected to reach \$5 million in 2007.

Parallel to Greene's work to unite service providers in one building, the U.S. Small Business Administration was also exploring the idea of linking together entrepreneurial services in cities across the country. By fall of 2002, discussions materialized among The Bloch School, the U.S. Small Business Administration, and the Ewing Marion Kauffman Foundation and began to focus around expanding this small network throughout the community.

A key planning team representing the three founding sponsors was put in place, and conversations began in earnest. Early in the process, the idea surfaced that this network could be much more than a single building. Given Kansas City's far flung geography, it was believed

that any one location could never reach the entire potential market. And, it would be much more difficult to recruit partners and build community-wide support for a building in Kansas City's midtown.

Part of this new concept was based on the existence of a rich base of entrepreneurship support organizations all over the metro area. The challenge for entrepreneurs was that they often didn't know where to start, and got shuffled from place to place in search of the right service provider. The idea began evolving that this could be a network, not a center, linking together partners from all parts of the metro area. In this model, wherever an entrepreneur started in the network, it would be the right place because entrepreneurs would be referred to the right resource for their stage of business and needs. Thus KCSOURCELink moved from being a one-stop-shop location to being a link to all the resources that help entrepreneurs start and grow businesses.

Another defining part of the concept was the decision to start with the partner organizations and to consider them a key constituent, equal to the entrepreneur. It was noted many times that there couldn't be a network without the nonprofit service providers and that they would have to experience great value in order for KCSOURCELink to work. It was also agreed that KCSOURCELink should be very diligent about not offering services directly to entrepreneurs, not competing with the service providers, but focusing on assessment and referral.

BUILDING COLLABORATION

A \$487,000 grant from the Kauffman Foundation for financial support of the network was approved in early 2003. An ad hoc operations committee began meeting to outline the steps it would take to get a network of service providers launched. One-on-one and group meetings were held with key business development organizations within the area to explain the network and gain consensus. A formal executive committee was established to lead the program and a director selected.

More than 50 representatives from service organizations in the greater Kansas City metro came together to discuss the development of the network and begin to define the mission. The group defined the challenges and concerns about creating the network.

The service providers were very clear about their challenges:

- Recruiting clients from target audiences with minimal or no marketing dollars.
- Eliminating the "run around" by better screening for readiness prior to organization entry.
- Gaining a better understanding of what other service providers offer; strengthening niches and minimizing duplicate services.
- Networking and establishing partnerships among service providers.
- Finding volunteers.

- Finding funding to increase staff resources.
- Finding support for the experienced, established entrepreneur.
- Finding bi-lingual agencies/resources.
- Increasing access to client capital.
- Increasing diversity of programs to better meet market needs.

They were also very clear on how KCSOURCELink should help:

- Raise the visibility of service providers to the community.
- Assess the entrepreneur and make sure that entrepreneur is referred to the proper agency.
- Conduct follow up as the entrepreneur moves through system.

Client Success Story

Mike Jackson, President & CEO

MicroJek

Kansas City, MO

Established 2005

MicroJek brings an exclusive line of microinjection needles to the cellular research market. The company produces the world's smallest commercially-available microinjection needles, a nanotechnology product.



Mike Jackson sought contacts to high-tech, biotech business leaders.

Mike Jackson was referred to KCSOURCELink by the KC Regional SBA office in April 2005. He wanted to network with other business people to position MicroJek within the high-tech, biotech community in the KC region. He was also interested in developing angel investor contacts.

At a 2007 KCSOURCELink Entrepreneurs Happy Hour, Jackson found a Web development company that is developing a new, e-commerce enabled site for MicroJek. Other contacts developed through KCSOURCELink helped make it possible for Jackson to be a presenter at the November 2005 Nanotechnology at the Interface with Life Sciences Research conference in Kansas City, MO.

Recently, MicroJek's products have been used in mouse RNA experiments at MIT and KUMed / Tufts University. As a result of efforts at KU labs, a paper by Dr. Susan Barrett was published in the June 2007 issue of *Biology of Reproduction*. The company has developed and continues to develop specialty needles for projects at the University of Rochester, MIT, and Harvard. MicroJek has also assisted in classroom experiments at "Frontiers in Reproduction," a specialized workshop at the Marine Biology Lab in Woods Hole, MA. MicroJek has experienced approximately 100 percent revenue growth per year since 2005.

Client Success Story

Seth Meinzen, CEO

DigiRace, Inc
Overland Park, KS
Established 2004



*Seth Meinzen
connected with an
angel investor for his
new technology
venture.*

DigiRace gives fans an inside look into short-track auto racing. Believing that mainstream news media often overlook local and regional speedways, co-founders/partners Seth Meinzen and Steve Meinzen created DigiRace to provide fans of middle-tier auto racing with a real-time media option.

The technology company's system captures racing broadcasts with a GPS-based tracking system. Spectators have an aerial, bird's-eye point-of-view of a race as icons representing each racer or team move through the course in REAL TIME.

The software updates every second and provides statistical data – including the racer's speed, the race time elapsed, and the finishing time and placement.

A skilled entrepreneurial networker, Meinzen has used the services of several KCSOURCELINK network resource partners, including the UMKC SBTDC and the SBTDC at the University of Central Missouri. He participated in the Kauffman Foundation's FastTrac Tech Venture program in fall 2007 and serves on the board of directors for another resource partner, the Small & Home Business Connection (SHBC). Meinzen also participated as a judge in the Institute for Entrepreneurship and Innovation's Enterprise Development Lab, and presented DigiRace to the InvestMidwest Venture Capital Forum in April 2007.

These collaborative resources provided Meinzen valuable help with the management decisions needed to establish his business. But, he still lacked the financial component vital to the successful development of DigiRace. Then he attended the KCSOURCELINK Entrepreneurs Happy Hour and met the person he had been looking for – a DigiRace angel investor. The monthly Happy Hour event offers networking opportunities to speed the formation and growth of life sciences and technology-based businesses in the KC region.

In addition to the two founding partners, DigiRace has three part-time employees and one full-time employee. The company has had a successful pre-launch, is about to open its series A round of investments, and has set March 2008 as its tentative launch date.

- Track the entrepreneur and services already received. (Service providers refer to each other but many times the next agency gives the same advice.).
- Provide intra-network knowledge of what is available.
- Create a database to help classify providers, identify core competencies, client profile(s) and target market for each agency.
- Refer volunteers.
- Discover collaborative opportunities.
- Let service providers know what services the entrepreneur is asking for.
- Expand sources of funding.

The session also discussed what KCSOURCELINK could accomplish for the entrepreneur:

- Let entrepreneurs know that the services exist.
- Provide an updated list of educational opportunities.
- Provide order to chaos by performing triage: conducting assessment and screening and getting the entrepreneur to the right service provider.
- Provide a resource library.

Some concerns also surfaced including: Would KCSOURCELINK find too many overlaps in the network and cause one or more organizations to close? Would KCSOURCELINK provide programs and services that competed with the other organizations? How would KCSOURCELINK remain current on all of the activities of the participating organizations?

With more than 100 partners involved, a process and tool had to be developed that would provide an easy way to organize the partners so that the entrepreneur had to access the right resource at the right time. KCSOURCELINK created The Resource Navigator® to organize resource partner programs and services into a user-friendly, online database. Entrepreneurs and service providers alike can go online, answer a few questions about business needs, and get to the specific resources they need.

Once this tool was loaded with basic information and the programs and services offered by each organization, it became apparent that there were few overlaps in services in the Kansas City area. Most organizations were restricted to a certain geography or occupied a particular niche in an area of business development. Needless to say, this discovery mediated a lot of concerns and opened the path to partner collaboration.

A Web site was developed to bring together information about the partners in one easy-to-find place. The site includes a central list of programs, events and classes provided by the partners, a resource library with detailed information on frequently asked questions by entrepreneurs, an innovation center for the high-tech and life sciences industry, and The Resource Navigator.

Many of the KCSOURCELINK partner organizations did not have a method for managing clients and tracking impact, which was hindering ability to report the impact of their efforts back to funding organizations. Fifteen of the partner organizations came together to brainstorm

about a good management system and created Biz-Trakker®. Biz-Trakker is a versatile client management system that makes referring among organizations easy, manages events, and has an embedded survey system that measures business growth and economic impact. It can also be used for in depth analysis across organizations by region.

Today, KCSOURCELINK connects a network of more than 140 resource partners that offer business-building services for small business success. The network is composed of many kinds of organizations: incubators, small business development centers, organizations such as SCORE, groups that provide microloans, angel networks, chambers of commerce, economic development corporations, and more.

MISSION

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KCSOURCELINK's mission is to help small businesses grow and prosper in the Kansas City region by providing business owners easy access to needed services. KCSOURCELINK strengthens the network by connecting with the resource partners to:

- Raise community awareness to bring more entrepreneurs into the network and increase entrepreneurial activity;
- Identify gaps in services and promote entrepreneurial growth by initiating innovative programs and strategic alliances;
- Create a continuously improving process for providing quality services;
- Find new ways to increase funding for resource provider programs; and
- Measure economic impact.

THE PROGRAM

KCSOURCELINK offers a referral service for Kansas City's small business owners. The service is accessible through a local or toll-free call, via the Web site, www.kcsourcelink.com, or by e-mail to info@kcsourcelink.com.

Client Success Story

Barbara Graham, Owner

Gifts Etcetera

Kansas City, MO

Established November 2007



Barbara Graham sought help to bridge the gap from corporate management to a retail store.

Gifts Etcetera specializes in gifts and party supplies. This specialized retail business grew from Graham's first venture in 2005, an upscale dollar store called Dollars & Sense.

After teaching second grade for five years and serving in a management capacity at Southwestern Bell for 27 years, Graham decided to look for a new career as a small business owner of a retail operation. She first participated in the Kauffman Foundation's FastTrac New Venture program, where she completed a feasibility study and learned about KCSOURCELINK. Graham came to KCSOURCELINK for help in bridging the gap between her corporate management experience and ownership of a retail store – a transition from corporate America to entrepreneurship.

KCSOURCELINK matched her with two SCORE counselors with retail experience. She attended a SCORE pre-business seminar and worked with the counselors on many aspects of business development, including finishing her business plan so that she could present it to a financial institution for financing. As a result, she obtained the financing she needed to open Dollars & Sense in 2005.

KCSOURCELINK also helped Graham find the information she needed on obtaining her business permits and licenses without incurring legal fees. She used the KCSOURCELINK web site, www.kcsourcelink.com, to research the necessary information on her own, saving her both time and money. KCSOURCELINK also helped her find information on wholesaler resources for products. After operating Dollars & Sense for two years in The Shops on Blue Parkway, Graham seized the opportunity to move to a better location in the same shopping area, and at the same time change the direction of her retail enterprise.

An aspiring or existing business owner can access the entire network of service providers in the Kansas City area by calling the KCSOURCELINK hotline, or by sending a request through the KCSOURCELINK Web site. A KCSOURCELINK "Network Navigator" will spend time understanding the business goals and objectives, where the business is in the development process, and the unique aspects of the industry. The navigator then provides a list of organizations, specific individuals and workshops, seminars, and training classes across the metro-area that can help with the particular business.

The type of assistance the client needs affects the type of referrals made by the Network Navigator.

The network can also be accessed by approaching any of the partner organizations. Because of the tools, training, and networking facilitated by KCSOURCELINK, many of the service providers have knowledge of and access to the same information as the network navigator. This also helps save the business owner time and frustration by letting him or her know quickly the resources available.

As part of the hotline referral system, KCSOURCELINK's network navigators follow up with the entrepreneur to assess appropriateness of referrals, quality of service, need for additional resources, and economic impact. Follow up is done at one, six and twelve month increments.

The first follow up occurs by phone, four to six weeks after initial contact. This call determines if clients received an appropriate referral, if they have had time to connect with the suggested organization(s) and their experience with that organization. Later follow ups are e-mail or paper-based and request information on business development, such as growth in sales and number of employees.

COMMUNITY AWARENESS

An early ad-hoc marketing committee for the network suggested that instead of marketing each organization individually, consistently marketing the hot line number would bring more entrepreneurs to the network.

KCSOURCELINK uses grassroots techniques to increase awareness and image in the community with special emphasis on aspiring, emerging and existing business owners and community referral sources. These include attendance at local events, speaking in front of a variety of organizations, articles in association newsletters, a strong partnership with local chambers of commerce, and exhibiting at business expositions and trade shows. Two e-newsletters, The Business SOURCELINK and The TechLINK, provide general business information and information on the technology marketplace for those who sign up.

A special emphasis on targeting referral sources such as bankers, attorneys, accountants, and insurance agencies helps get the word out to entrepreneurs about the resource.

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NETWORK CONNECTIONS

KCSOURCELINK strengthens the network by educating resource partners on network services, identifying gaps in service, and providing opportunities for program and funding collaboration among network partners.

A monthly KARE (Kansas City Area Resource Exchange) meeting hosted by KCSOURCELINK brings together resource partners to exchange programming information and ideas. On a quarterly basis, network partners are invited to a larger meeting centering on a particular topic or idea. One of the favorites was the "Incubator Crawl" when buses escorted partners to each of the six business incubators in town, providing an opportunity to network and explore collaborations.

KCSOURCELINK also publishes a monthly e-newsletter, the Network Link, that keeps partners up-to-date on activities in the network.

KCSOURCELINK has facilitated a number of collaborations among network partners, including:

Client Success Story

Sharon Irvin, CFO and Mark Irvin, CEO

KC MASS Services

Grandview, Missouri

Established June 2003

KC MASS Services is a construction and real estate company with a mission to provide safe, accessible and stylish housing for active, aging adults and persons with disabilities.

Mark Irvin's hip replacement surgery became the gateway to this entrepreneurial venture. After surgery, he experienced first hand the limitations of conventional home design for persons with temporary or permanent disabilities. So he and his wife, Sharon, decided to launch KC MASS Services, a business dedicated to helping people live at home as long as they are able. If remodeling is not feasible, they can build a new home or help find an existing home that meets the customer's needs. At first, through KCSOURCELINK, Sharon Irvin was looking for resources to help her with the basics of a start-up business, such as marketing. As the company has grown and the business challenges changed, she has continued to call KCSOURCELINK.

KCSOURCELINK has referred her to network organizations providing training classes and counseling services, including:

- The Small Business Development Center (SBDC) at the Johnson County (KS) Community College, where a QuickBooks seminar helped with tax issues.
- The Small Business and Technology Development Center (SBTDC) at the University of Missouri-Kansas City, where Irvin has formed a relationship with a business counselor and mentor. They help her work out operational problems and other business issues on an ongoing basis.
- Irvin also participated in the First Step Fund's FastTrac program, which she says gave her "a clear vision of the direction to take in her business."

KC MASS Services' gross sales increased 60 percent in 2007 as compared to previous years.

- Ten partners collaborated to bring AmeriCorps*VISTA volunteers to their organizations.
- More than 20 partners are collaborating to review training classes available throughout the network and investigate training delivery systems to better meet the needs of the entrepreneur.
- Ten organizations collaborate to host a monthly entrepreneur's happy hour for the high-tech market.
- Seven organizations partnered to market services to the Hispanic population.

ACCOMPLISHMENTS

Four to six weeks after a contact is made, KCSOURCELINK follows up with entrepreneurs to verify they were connected to the resource they needed. Ninety-eight percent of feedback from these follow-up calls is positive. In addition, KCSOURCELINK surveys clients to determine impact of the contact.

For example, 100 respondents to a client survey reported that:

- 16 started a business;
- 13 expanded significantly;
- 20 are actively engaged in growing a new business;
- 12 solved an operational problem; and
- 14 made significant changes to the nature of their business, for example, moved into a different market, changed staffing levels or operational processes.

Since June, 2003:

- **140+ KC-area resource organizations** have joined the KCSOURCELINK network.
- **2,600 aspiring and existing business owners** have accessed the KCSOURCELINK network via telephone hotline or e-mail.
- **Over 6,700 online searches** for resources have been made within the 25 service categories of the Resource Navigator since its activation in January, 2004.
- **An average of 10,000 visitors per month** access the KCSOURCELINK Web site. Valuable online resources include a wide variety of research in the Resource Library, a comprehensive list of network and sponsor organizations in the Resource Directory, news articles, and client success stories.
- **Partner surveys show** that resource partner organizations also benefit from KCSOURCELINK:
 - KCSOURCELINK raises community awareness, resulting in more clients.
 - Clients are better matched to organizations, resulting in increased productivity.
 - Partners have more knowledge of other network services, resulting in new cross-referral and collaboration opportunities.

NATIONAL EXPANSION

The Kauffman Foundation grant that started KCSOURCELINK included the charge to incubate a model in Kansas City that could be used in other areas of the country. As the network was built, each step in the process was documented for future reference and tools were developed to allow the concept to be easily translated into a different area of the country.

The Web site, The Resource Navigator, and Biz-Trakker are software tools that support the partner network. Each is scalable, easy to maintain, and can be used by others to create a network. A set of manuals that describe the processes needed to put a network in place was completed in 2005. Other cities and regions are now using the SOURCELINK model and tools to connect their entrepreneurs with resources for growth.

The model for staffing a SOURCELINK Network includes a Network Builder (executive director); Network Communicator (a public relations/marketing professional); professionals to help business owners assess their needs and find the right resources in the Network, called Network Navigators; and an administrative assistant, called Network Central Coordinator. Depending on the size of the community, these jobs may

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be full- or part- time. The largest expense, other than salary, is generally \$15-20,000 per year to support marketing efforts. Most implementations are partnered with existing organizations that support overhead costs. One of the first to adopt the SOURCELINK model was NetWork Kansas, a statewide initiative of the Kansas Center for Entrepreneurship.

NetWork Kansas was established as a component of the Kansas Economic Growth Act of 2004 to further establish entrepreneurship and small business as a priority for economic and community development in the state of Kansas. Its mission is to connect entrepreneurs with the right resources – expertise, education and economic resources – when they are needed most.

Early on, the Kansas Center for Entrepreneurship Board recognized that SourceLink was a perfect fit for its mission of connecting small business owners in far flung rural areas with the wealth of resources already operating in the state. Since its inception and official launch in 2006, NetWork Kansas has used Resource Navigator and Biz-Trakker while growing its network to more than 400 resource partners statewide.

Using the SourceLink model, entrepreneurs and small business owners call a toll free number to speak with a NetWork Kansas Counselor. In this case, the Resource Navigator database holds more than 400 resource partners located throughout the state. This allows Network Kansas to refer clients to a resource close to home or tap into expertise at the state government and university level. NetWork Kansas also tracks the success of the entrepreneur throughout the process by utilizing SourceLink's Biz-Trakker program.

Others across the country have begun experiencing the benefits of the SourceLink model. The Toledo, Ohio, Regional Chamber of Commerce connects its area's resources with the Resource Navigator, and the Charlotte, North Carolina, region uses both the Resource Navigator and Biz-Trakker. The Urban Entrepreneurship Partnership network uses the

SourceLink system in Milwaukee; Cleveland; Cincinnati; Jacksonville, Florida; and Atlanta to assist minority and urban entrepreneurs. The SourceLink model is being adopted in a 37- county area of Mississippi and Alabama as part of a regional entrepreneurial initiative, and is also being expanded into other regions of Missouri as Missouri SourceLink. 

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fort knox 2005 BRAC

By Brad Richardson

Kentucky's economic landscape began a significant and very positive transformation in 1986 when Toyota Motor Manufacturing announced that it would build an assembly plant in Georgetown, KY. The initial projections of 3,200 jobs, \$180 million in new payroll, and an \$800 million capital investment by Toyota were more than realized, much more. In fact, by the late 90's Toyota's expansion had resulted in nearly 8,000 jobs, \$470 million in new payroll, and a \$4.5 billion investment by Toyota, nearly tripling all original estimates.

The dramatic economic impact of this event was felt statewide with over 100 new automotive suppliers locating in the state and the eventual location of Toyota's North American Manufacturing Headquarters in Northern Kentucky. Clearly, Kentucky will continue to reap the benefits for years to come.

Fast-forward two decades to Fort Knox, Kentucky, 2005. Fort Knox's glory days, with over 20,000 soldiers and civilians working and living at Knox, were thought to be in the past. When the last combat unit left the Army post in 1994, the Army's Armor Center and School and tenant organizations like Army Recruiting Command were all that remained of a once thriving installation. Trainees, who seldom leave the installation, made up the bulk of the military presence. Many of the remaining civilians worked in blue-collar positions. This downward trend as the region's largest employer, obviously, had a negative economic effect on the immediate Fort Knox region – and Kentucky.



Gate to Fort Knox.

To add to the anxiety, another round of Base Realignment and Closure (BRAC) Commission recommendations loomed. BRAC is the military's way of making itself more efficient by downsizing or even closing some installations, while consolidating assets at others. In the spring of 2005, BRAC anxiety had local officials around Fort Knox actually "war gaming" for the worst-case scenario – further reduction or even total closure. And then, in May, came the announcement: 4000 plus new permanent positions, an estimated \$250 million in new payroll, an estimated 12,000 new residents (a large percentage of whom would live off post), and \$800 million+ in new construction on post.

The comparisons to Toyota's initial projections are almost eerie. And what's more these new jobs are dramatically different than those currently at Fort Knox, where the largely blue-collar employee base supports trainees who are here for short durations for their basic or initial entry training. The Armor Center, trainee population and the workforce that supports it will soon depart for Fort

Brad Richardson is executive director of One Knox. His e-mail address is brad@nheda.net.

AN OPPORTUNITY FOR REGIONAL GROWTH

With the nine-county area surrounding Fort Knox, Kentucky, facing unprecedented expansion related to the 2005 Base Realignment and Closure (BRAC) action, the region's leaders seized the opportunity. They created a regional growth management agency, One Knox, to manage and prepare effectively for this growth, which includes more than 4000 new employees, plus an estimated 8000 family members. Today, preparations are well underway, and the effort is seeing great success. For instance, the Association of Defense Communities named the One Knox region the 2007 Active Base Community of the Year. This article describes how North Central Kentucky is making the most of this ongoing, monumental growth opportunity.

Benning, Georgia. Fort Knox will welcome the Army's Human Resource Center of Excellence, numerous other smaller headquarters commands, and a deployable combat infantry brigade. Housed in a 900,000-square-foot complex, the Center of Excellence will feature a highly skilled, well-paid white collar workforce made up largely of human resource, information management, and information technology professionals.

This event has the potential to equal Toyota's initial economic impact – a truly fantastic opportunity for the Fort Knox region and the entire state. But with fantastic opportunity comes daunting challenge.



The "Ground Breaking" Ceremony for the main 900,000-square-foot Army Human Resource Center of Excellence Building. The group includes United States Senator Mitch McConnell and Lieutenant General Benjamin Freakly, Commanding General U.S. Army Accessions Command.

THE CHALLENGE

Following the excitement after the BRAC 2005 announcement came many questions about how to manage this regional growth effort. And the key word is "regional." The challenges and benefits will not be confined to an individual community. Cities and counties surrounding the Fort Knox area, with a population of approximately 250,000, will provide a majority of the new workers for Fort Knox and provide the needed infrastructure to support transferring workers and their families.

Community leaders in the private and public sector soon realized that to properly manage and capitalize on this opportunity, it meant thinking and acting *regionally*. It became quickly apparent that a regional growth and new economic development structure was needed to properly manage this event. So with the hearty endorsement from military and community leadership, One Knox was born to serve as the central coordinating com-

munity agency to help the local nine-county region respond in the most positive ways to the growth opportunities associated with BRAC and Fort Knox.

One Knox, headquartered in Radcliff, KY, was established in January 2006, and its membership is comprised of elected leaders from the Ft. Knox region and members from the Fort Knox Garrison Commander's office. Initial funding was provided by the municipali-

Fort Knox will welcome the Army's Human Resource Center of Excellence, numerous other smaller headquarters commands, and a deployable combat infantry brigade. Housed in a 900,000-square-foot complex, the Center of Excellence will feature a highly skilled, well-paid white collar workforce made up largely of human resource, information management, and information technology professionals.

ties, with additional support from the North Hardin Economic Development Authority.

Simply stated, One Knox's goal is to make this the most successful BRAC move ever. That means setting and managing the conditions for the smoothest possible transition for the new workforce and their families, while helping the displaced workers from the out-going Armor school find their way. From training a new workforce, to identifying and funding necessary improvements to local road networks, or building new schools to meet the expected demand, it is in the communities' and Army's best interests to manage this growth in the most constructive way. Change is going to happen, whether the region prepares for it or not. Better, it decided, to be prepared.

DETERMINING GAPS

After forming One Knox, the initial task was to evaluate current assets against future needs, and identify critical gaps that needed to be addressed. To properly analyze the situation, it required funding. Clearly, the good news from the 2005 BRAC decisions was that Fort Knox and the surrounding area would be "gainers". But the bad news was that local governments had been handed this challenge without funds to support it.

Fortunately, the federal Office of Economic Adjustment's (OEA) mission is to support such efforts, by funding Growth Management Plans. As a Department of Defense agency, one of OEA's primary responsibilities is to assist communities that are significantly impacted by Defense program changes, including base closures or realignments, base expansions, and con-



Artist's rendering of what the Center will look like when completed.

tract or program cancellations. But to get this funding, you need to have the authority to write grant applications, which One Knox did not.

So, One Knox became an operating unit of the Lincoln Trail Area Development District (LTADD). Organizationally, Kentucky's Area Development Districts are a federal/state/local partnership, a council of governments, a sub-state planning district, a regional clearing house for public/private investments, a regional technical assistance center for the public/private sectors, and a local/regional/state program and services organizer and implementer. In essence, by aligning the two organizations' (One Knox's and the LTADD's) efforts, it would provide One Knox with the necessary oversight, staffing and fiscal agent support it needed to be most effective. Almost immediately this alignment paid dividends, when more than half a million dollars in OEA funds were appropriated for the development of a Growth Management Plan. This money would be used to do the necessary gap analysis that includes an economic impact analysis, a housing market analysis, and a transportation study.

Additionally, the LTADD Workforce Investment Board's partners at the state had the foresight to appropriate \$155,000 of their U.S. Department of Labor (DOL) funds to conduct a much-needed regional workforce study.

In all of these studies, experts are capturing current data with help from the local communities. To determine future needs requires close coordination and extensive outreach to Army representatives both at Fort Knox and at the locations from which people will be moving to Kentucky. The collaboration with One Knox's military partners has been nothing short of exceptional.



The Army Human Resource Center of Excellence dining facility under construction.

After identifying the gaps and solutions to fill those gaps, One Knox needed to seek the resources to make positive change possible. Whether it's building new schools, expanding road networks or implementing workforce-training programs, the cost of these improvements cannot solely fall on the shoulders of the local communities.

From Fort Knox to Alexandria, Virginia, One Knox has been included in planning efforts, BRAC meetings, and outreach to the workforce. And when data and input are needed for the studies, the Army has provided it.

While much of the study and analysis is still ongoing, the regional workforce study has shown that upwards of 1,400 job openings will need to be filled. Making sure the local labor force is trained and ready, and supporting the local businesses that may lose personnel to Ft. Knox, rank high among the most important challenges.

RESOURCES FOR FILLING THE GAPS

After identifying the gaps and solutions to fill those gaps, One Knox needed to seek the resources to make positive change possible. Whether it's building new schools, expanding road networks or implementing workforce-training programs, the cost of these improvements cannot solely fall on the shoulders of the local communities. The local tax base that will be generated *after* a significant population increase will not support the cost of these significant infrastructure requirements. The region is fortunate to have forward thinking leaders at the state and federal level who recognize this challenge as well. In 2006, Kentucky Governor Ernie Fletcher established a Governor's BRAC Task Force (GBTF) made up of local, state and federal officials to

address these very same issues. Through collaboration between One Knox and the GBTF, the region will seek funding for approximately \$294 million from the Kentucky 2008 General Assembly.

But it can't stop there. One Knox must continue looking for creative ways to help transform the region and prepare for future growth. That doesn't stop with the growth at Fort Knox. In fact, what became apparent during the assessment of current conditions against future needs was that the region was truly a part of a larger regional economy, one that encompasses Louisville and its surrounding counties. And all are facing similar workforce and economic development challenges. Leveraging the resources to everyone's benefit will be the key to future economic development and prosperity.

Consequently, One Knox and the LTADD became aware of a unique opportunity to enhance the transforma-

On June 14, 2007, the Department of Labor released the results, and the I-65 Corridor proposal was one of only 13 recipients receiving grants of \$5 million each.

These resources from OEA, DOL, and potentially the state are just the beginning of the creative and innovative ways that the region must utilize to pursue funding from both the private and public sectors. This will be a continuous effort.

THE INFORMATION EXCHANGE

In addition to providing gap analysis and seeking funding support, as the central coordinating agency, One Knox also has a valuable public information role for numerous constituents. Whether it's providing community information to the relocating workforce and their families or keeping the local community apprised of Army unit arrivals and departures, One Knox sees its communications and outreach efforts as paramount. It

wants to have an engaged local citizenry committed to supporting the growth management efforts. It also wants to provide the relocating workforce and their families with valuable information about the region and overcome any misperceptions they may have about Kentucky's Heartland.

The first of many communication initiatives included the establishment of a user friendly, state-of-the-art website (www.oneknox.com), with a comprehensive listing of local community resources, attractions, and amenities. It would be the first of many ways the region would roll out the welcome mat to those who would soon be making

the decision whether or not they wanted to relocate to Kentucky.

However, before the website was established, Fort Knox officials and the One Knox team realized there was no better way to make a great first impression than to take the welcome mat on the road. In March 2006, more than 50 representatives from the entire region, including elected leaders, school officials, chambers of commerce, and many more traveled at their own expense to Alexandria, VA; Fort Monroe, VA; Fort McCoy, WI; Indianapolis, IN; and St. Louis, MO, to meet with military and civilian employees who were slated to move to Fort Knox. Referred to as the "Road Show," this uniquely personal outreach initiative provided relocating workers the chance to engage community representatives in one-on-one dialogue, answer questions, learn about the One Knox region, and overcome any misconceptions people may have had.

The Road Show was managed by Fort Knox's Garrison Command, Public Affairs Office, and One Knox. The meeting format was identical at each location.

Benchmarks

- | | |
|------------------|---|
| • November 2005 | BRAC recommendations approved |
| • January 2006 | One Knox is formed |
| • January 2007 | Labor Study begins (DOL funded) |
| • February 2007 | Office of Economic Adjustment grant received |
| • March 2007 | Several Growth Management studies begin |
| • November 2007 | Groundbreaking for Army Human Resource Center of Excellence |
| • December 2007 | Army announces additional expansion at Fort Knox |
| • September 2011 | BRAC actions complete |

tion of the local workforce in order to foster further economic development. DOI's Employment and Training Administration's (ETA) WIRED (Workforce Innovation in Regional Economic Development) grant program seemed a perfect fit for the workforce transformation occurring throughout the region in and around the Interstate 65 corridor.

With One Knox, the GBTF and the LTADD leading the way, partnerships were formed with Kentuckiana Works and Greater Louisville Inc. (GLI) to mount a grant writing team effort with One Knox staff in support. The team had the basic parameters of the "I-65 Corridor" regional proposal identified. It focused on the region's strengths, while laying out a complex plan for achievable regional transformation. The region included eight counties in the LTADD, Louisville, and seven other Kentucky counties, all moving from a largely blue collar manufacturing workforce base to a more diverse, high-tech driven economy. Even if it didn't get the grant, the team still believed that it was doing some excellent thinking on how to move forward. Frankfort agreed, and Governor Fletcher chose the region's submission as one of Kentucky's two applications.

First, the Garrison Commander made an appeal to the civilian workforce in each location to relocate to the Fort Knox region when the Army presented them with their Transfer of Function notice – the notice that their job was being reassigned to a Fort Knox facility. The Commander's appeal was simple – the Army needs you to move with your job to help make the transition work best, and Kentucky is a great place to live and work.

Second, a video about Fort Knox and the One Knox region was shown and then various elected, education, and organization leaders introduced themselves and answered questions from the Army civilian audience. Upon adjournment of that meeting, the civilians were encouraged to visit booths at an "Information Fair." Booths were manned by the various regional leaders and Fort Knox personnel and featured information on secondary and post-secondary education, health care, housing, transportation, and entertainment.

There were two general sessions per day at each location. The Information Fair booths and regional representatives were available to answer questions and provide guidance throughout the entire day. The Road Show proved so successful that military officials saw a sharp increase in the number of civilian employees in favor of moving and asked the One Knox team to do it again in 2008, as the decision time draws closer for those facing the relocation decision.

One Knox made sure to capitalize on the positive results realized during the Road Show with a full-scale communications effort that built upon the established relationships. Among the many communications and outreach initiatives the One Knox team employed were continued dialogue with Army organizations and their relocating workforce as well as web site updates, electronic newsletters, newspaper columns, community speaking engagements, active participation in Fort Knox installation BRAC meetings, planned community tours for representatives of the relocating organizations, and a sundry of media engagement initiatives.

LESSONS LEARNED

While this effort remains a work in progress, One Knox has already learned many lessons.

1) **Ongoing communication is key.** Every day, the One Knox team discovers new constituents – local realtors, the construction industry, the education community, the list is endless. And while they all seek similar information, their particular needs and concerns vary based on the service they provide.

While One Knox quickly established a web site to serve as the centerpiece of its communications efforts, it soon learned that flexibility and functionality of the site could always be improved. To that end, One Knox will soon award a new contract for web site support, upgrades, and general maintenance that it hopes will take the site to the next level. Further, a

web site alone does not make a communications effort. Ongoing grass roots face-to-face outreach to the local communities and the affected workforce is also critical.

2) **It will be here faster than you realize.** That old adage that time is of the essence couldn't be more true. The BRAC announcement was made in 2005 with all actions to be complete by 2011. Six years may seem like a long time but roads aren't improved overnight. School construction and renovation can take years. Workforce training programs take years to build an adequate labor pipeline from which to recruit and hire. And those are just a few of the many examples that could be named that will require every second of the six years to accomplish.

One Knox's advice? Act immediately. Procure the funds to do the analysis and seek the resources to make the necessary changes. In this case, waiting until the 2010 state legislative session to seek funding will be too late.

The Road Show proved so successful that military officials saw a sharp increase in the number of civilian employees in favor of moving and asked the One Knox team to do it again in 2008, as the decision time draws closer for those facing the relocation decision.

3) **Having the right team.** This is an economic development opportunity, so regardless of who is in the job, economic development professionals must be a critical part of such an effort and ideally lead it. Economic development professionals will see this growth as an opportunity for additional development and increased economic prosperity for the region.

It is critical to have present and former military professionals be an integral part of the process. They can help economic development professionals who aren't military veterans, navigate the sometimes confusing Army bureaucracy, structure, language, and general protocol issues that will foster positive collaboration between both parties.

4) **Close coordination with the military has been invaluable.** It's to everyone's benefit to make this process work. The Army has jobs to fill, and the region has job seekers that need them. At the end of the day, the Army needs to complete its mission. It can't do it without a highly motivated, well-trained workforce. If they fail, the region fails.

Today, the One Knox region has Army personnel experts talking with the folks in Kentucky responsible

for building curriculum at Kentucky colleges and universities. They're going to make sure regional students have the opportunity to take the courses that can help them qualify for the new jobs. At the same time, the region will be building a local workforce that can positively respond to a changing job market, both at Fort Knox and throughout the region. One Knox talks to the Army on a daily basis, while forging and strengthening relationships that will last well beyond BRAC. And that's good for everyone.

NURTURING THE OPPORTUNITY

There's a new wind blowing through Kentucky's Heartland, and the BRAC action is just the beginning. The region is poised to take advantage of a great location, a vibrant workforce, and the expanded opportunities of the new regional economy. Successful execution of the transformation at Fort Knox and the changes that come from the implementation of the WIRED program will set the stage for future success. And others are taking notice of the work that's being done. The Kentucky Association for Economic Development recognized One Knox with the 2006 Award for Community Innovation, and the Association of Defense Communities named the region the "Active Base Community of the Year" for 2007.

Recognition is nice, but One Knox realizes much work remains to be done. With the Army, it wants to position the region for future growth. If the Army ranks grow 30,000 or more soldiers as predicted, there is the chance to attract some of this additional growth to Fort Knox. But the region is in competition with a lot of other hard-working locations. The priority is for the region to continue doing the good things that it has already achieved and look for ways to improve the process. As all economic development professionals know, improving your regional presence and building infrastructure – with or without BRAC actions – will form a solid foundation for attracting new investment and encouraging regional business expansions. 🌐

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2008 ANNUAL CONFERENCE

THE NEXT BILLION: MOBILITY, FLEXIBILITY, AGILITY, LIVABILITY

OCTOBER 19-22, 2008 ■ ATLANTA, GA

In their article "The Next 100 Million", Arthur C. Nelson and Robert Lang note that "the U.S. is alone among industrialized nations in experiencing substantial growth... Only India will add 100 million people more quickly than the U.S."

Preparing for such accelerated growth requires a new approach to economic development, the provision of infrastructure, environmental sustainability, and workforce development. Economic developers will have to embody mobility, flexibility, agility, and livability.

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NEWS FROM IEDC

2008 FEDERAL FORUM

The 2008 Federal Forum, to be held April 13-15 in historic Alexandria, Virginia, is centered on the Innovative and Entrepreneurial Environment: Where It's Going and How to Get There. Advancing on last year's theme of keeping America competitive, the 2008 Federal Forum takes these issues to the next level with different tracks on the techniques used to attain a competitive environment for communities, and ultimately, America.



The forum will take a fresh look at what to expect from a new presidential administration and how the White House will work with Congress. With no incumbent president or vice president running for the presidency in 2008, the opportunity arises for a new dialog of ideas, especially in the area of economic development.

Listen to the insiders and experts on what to expect with the transitioning administrations and how it will affect the economic development community.

BE AN AMBASSADOR FOR IEDC

Help grow your IEDC network and represent IEDC at conferences, courses, local chamber events, etc. We depend on you for your sphere of influence. For details contact Mary Helen Cobb at mcobb@iedconline.org or 202-942-9460.

ECUADOR REGIONAL DEVELOPMENT AGENCY AND BUSINESS ATTRACTION ASSESSMENT

IEDC staff Rebecca Moudry and IEDC member Robert Gonzales, CECD, worked with an international team to assess regional economic development organizations in Ecuador, focusing on increasing organization capacities for regional competitiveness, investment promotion, and business attraction. Along with organizational assessment site visits, the team presented a symposium about good practices in international investment promotion programs and activities.

The project concluded with an action plan to develop an investment generation program and offer professional development through IEDC. The

project was conducted for the Carana Corporation through the USAID Productive Network initiative, which seeks to tackle the root obstacles to trade and investment-led growth and identify and promote progressive leadership across a wide spectrum of key stakeholders.

NEW CONFERENCE FOCUSES ON BUILDING CUTTING-EDGE PUBLIC-PRIVATE PARTNERSHIPS

IEDC will showcase a new conference on "Building Cutting-Edge Public-Private Partnerships," June 8-10 in Charlotte, NC, at the Westin Charlotte. The conference will focus on public-private partnerships in real estate development. Tracks include Rural and Small Towns, Urban and Mixed-Use Development, and Sports and Cultural Facilities.



Program highlights include sessions on sustainable development, finance, brownfields, "dead" malls, major attractions, arts and cultural facilities, and downtowns in smaller markets. The conference will also showcase award-winning best practices in each track on June 10.

2008 WEB SEMINARS

Back by popular demand, IEDC is offering multiple web seminars throughout 2008. Without traveling, you can hear from industry experts who discuss the latest trends. Whether you close your office door and absorb the detailed information by yourself or invite your colleagues and staff to join you in your conference room, the choice is yours.

The 2008 Web Seminar topics include:

- Creating Next Generation Websites
- So You're Targeting Biotech, Now What?
- Incentives Delivering Quality Jobs, How to Do It?
- Revitalizing Downtown Districts in Smaller Markets

Visit www.iedconline.org for dates and additional information.



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

*The Power of
Knowledge and Leadership*

CALENDAR OF EVENTS

IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts. IEDC also provides training courses throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

For more information about these upcoming conferences and professional development training courses, please visit our website at www.iedconline.org.

CONFERENCES

2008 Federal Forum

April 13-15, 2008
Alexandria, VA

Building Cutting-Edge Public-Private Partnerships

June 8-10, 2008
Charlotte, NC

2008 Annual Conference

October 19-22, 2008
Atlanta, GA

TRAINING COURSES

Technology-led Economic Development

April 16-17, 2008
Alexandria, VA

Managing Economic Development Organizations

April 24-25, 2008
Baltimore, MD

Real Estate Development and Reuse

May 5-6, 2008
Billings, MT

Economic Development Credit Analysis

June 4-6, 2008
Charlotte, NC

Business Retention and Expansion

June 25-26, 2008
Savannah, GA

Workforce Development for Economic Developers

July 24-25, 2008
Baltimore, MD

Real Estate Development and Reuse

August 7-8, 2008
Monterey, CA

Business Retention and Expansion

August 26-27, 2008
Oklahoma City, OK

Entrepreneurial & Small Business Development Strategies

September 8-9, 2008
Louisville, KY

Economic Development Credit Analysis

October 6-8, 2008
Butte, MT

Real Estate Development and Reuse

October 16-17, 2008
Atlanta, GA

Entrepreneurial & Small Business Development Strategies

November 6-7, 2008
Baltimore, MD

Business Retention and Expansion

November 17-18, 2008
New Orleans, LA

CERTIFIED ECONOMIC DEVELOPER EXAMS

June 7-8, Charlotte, NC
(Appl. Deadline: April 7)
October 18-19, Atlanta, GA
(Appl. Deadline: Aug. 18)

RECERTIFICATION FOR CERTIFIED ECONOMIC DEVELOPERS

Fulfill a recertification requirement without tapping into your budget! Earn two credits towards your next recertification by having an article published in the Economic Development Journal, IEDC's quarterly publication.

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For more information contact Jenny Murphy, editor, at murp@derols.com (703-715-0147).



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

*The Power of
Knowledge and Leadership*

non-traditional

ECONOMIC DEVELOPMENT

By James B. Gambrell and Agata P. Chydzenski

In many ways, the last five decades have been half a century of the dramatic change in the South. From a major depression that slowed economic growth in the entire country, the South has now grown to become the fourth largest economy in the world. It has also been the nation's fastest growing regional economy throughout the 1990's, with an unemployment rate lower and job growth rate stronger than those of any region in the United States.

South Carolina was historically a leader in this growth, and had one of the nation's most successful economic development programs, attracting large capital investments from both foreign and domestic companies. During the past 10 years, companies have invested more than \$30 billion in new or expanded South Carolina facilities.

At the same time, South Carolina has been one of the nation's least successful states in building a base of locally owned, entrepreneurial focused companies. What made it unsuccessful is that until the last half of the 20th century, South Carolina was an agricultural state where the major industry was textile. At the brink of the new century, the state needed to look at new industries to provide jobs for its citizens and to diversify its economy. This became possible with the recognition of the position of South Carolina's research universities.

Before the beginning of the 21st century, South Carolina had successfully lured jobs and investments from other regions with a simple, but proven formula: inexpensive land, low construction costs, cheap labor (not influenced by labor unions), excellent training support, tax incentives, and



The first incubator outside USC's campus was located in Columbia's City Center.

manufacturing infrastructure. That strategy worked until manufacturers found even lower-cost regions i.e. Mexico, Puerto Rico, China, Korea, and other (off-shore) locations.

Columbia, the state capital of South Carolina, has continued to attract new jobs and investment to the city, but hasn't made significant progress due to several important factors. One of the main obstacles is the community's lack of an existing industrial base with the infrastructure that is needed to attract additional growth to the area. Columbia's regional economy was mainly based on the government and the finance and insurance sectors. The small industrial base did not have the critical mass of manufacturing workforce. Second, the city's appeal is not centered on a "low cost of doing business" advantage, which is actually higher in the city than in the suburbs or other areas of the county. Finally, due to recent bank mergers, Columbia has lost a significant number of financial

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A SOUTHERN CITY TAKES A NEW DIRECTION

During the past few decades, the South has undergone extreme change by becoming one of the world's largest economies. Columbia, the capital of South Carolina, has struggled to keep up with the economic progress of the rest of the region. In an effort to create new locally owned businesses, the city of Columbia and the University of South Carolina teamed up to start the USC/Columbia Technology Incubator. Through nurturing and financial support, the incubator has succeeded in creating 334 new high paying jobs. Because of the economic success, the city of Columbia has received IEDC's 2007 award for Technology Based Economic Development for Cities of 50,000 to 200,000 residents.

jobs and local and state governments are no longer expanding, creating government jobs. Meanwhile, other regions such as Raleigh (NC), Austin (TX), Birmingham (AL), and nearby Charlotte (NC) have become leaders in creating a large base of rapidly expanding, locally owned firms. And, not by accident, these regions have also experienced well-above-average economic prosperity and growth.

Austin at a Glance

	1980	2000
• Employment	247,000	675,000
• GRP	\$16 billion	\$64 billion
• Population	585,000	1,250,000
• Retail Sales	\$5.5 billion	\$19 billion
• VC Funding	\$0	\$2.3 billion
• Family Income	\$25,500	\$59,400
• Tech Workers	22,500	146,000

A NEW APPROACH IS NEEDED

In 1999, Bob Coble, mayor of Columbia, formed a “Mayor’s Technology Council” to study the problem and find a solution. The council decided a new direction in economic development was needed to keep pace with the other dynamic cities in the region. Columbia, it was felt, should change direction and move away from trying to support an industrial economy, and instead, concentrate efforts on the coming knowledge based economy. To be competitive with cities from the neighboring regions and states, Columbia needed to grow and support its own assets, including: local entrepreneurs, ready to develop knowledge based businesses; a top quality workforce; great technology infrastructure; and a business climate that supports technology-oriented companies.

Clearly, it was determined that small entrepreneurial firms would create the bulk of new jobs and wealth in tomorrow’s economy. A great example would be a city like Austin, Texas, that has been extremely successful in efforts to develop an information-based economy. The chart above illustrates just how much of an impact this type of transition can have on a regional economy that in many ways is similar to the Columbia region. Note also, this success did not happen overnight. This growth was the result of years of focused efforts by Austin’s business and political leaders.

Columbia’s Office of Economic Development, working with the mayor’s council, saw the change in Austin over a 20-year period, and recognized the need to develop a long-term strategy to transition the Columbia economy into a growth mode economy and to provide a baseline for a plan to effect that change. The following chart illustrates the same statistics for the Columbia region from 2001 to 2007 as did Austin in 1980 to 2000.

Austin experienced 20 years of tremendous growth, as it saw the importance of a technology- based economy at the beginning of the 80’s, earlier than many US cities. In contrast, Columbia’s economic growth was stagnant until the city realized the importance of a technology driven industry and used Austin as a model.

The target goal was to achieve gains similar to Austin’s by the year 2008. In order to accomplish this goal, it was clearly understood that the active participation and engagement of every possible resource in the area was going to be needed, and that a clear “vision” and action plan was going to be necessary.

To achieve this, the Mayor’s Technology Council, working through the city of Columbia’s Office of Economic Development, embarked upon an extensive outreach program to solicit ideas from key groups and individuals from all sectors of the community. The result of this outreach and subsequent study was a comprehensive strategic plan focused on transforming the Columbia region into a successful high-tech community where a coalition among business, government, and educational institutions would enable the community to develop and capture high-paying, technology-oriented jobs, resulting in significant investment and growth in the local economy.

Columbia at a Glance

	2001	2007
• Employment	263,772	315,725
• GRP	\$13.4 billion	\$16.5 billion
• Population	543,543	700,110
• Retail Sales	\$7.25 billion	\$9.5 billion
• Family Income	\$42,310	\$45,785
• Tech Workers		
Statewide	22,110	41,628

The goals, strategies, and metrics outlined in this new plan required the support of the business community, the education community, and local governments (including both Richland and Lexington Counties and the city of Columbia). Only through partnerships and cooperation would it be possible to develop and implement the strategies that would unify and energize the efforts. The goal of these efforts was to leverage the assets of the region to meet tomorrow’s economic development demands while building a solid foundation for the information-based economy that would be critical to the region’s economic future.

It was clearly understood that the successful execution of this plan could not be accomplished by the city alone. It would require the coordinated efforts of the entire community, including local businesses, educational institutions and organizations, and all levels of govern-

ment. The challenge was to sustain the vitality of the current economy, and at the same time aggressively prepare for the strategic use and investment in technology that would drive the region's long-term economic success to higher levels. The city of Columbia and its regional partners – Richland and Lexington Counties and the education community – were all committed to meeting this challenge, and are still committed today. This plan was a first step on the road to securing a more prosperous economic future for the entire area.

To develop this plan, an approach was taken that assumed a vast amount of knowledge and insight was already available within the community and that critical “buy-in” would be needed to make the plan work. Many reports and recommendations had previously been made by consultants that touched on “traditional” aspects of leveraging assets to further develop the region's economy, but now, a new

buy-in and future success of the plan. Initially, valuable input was certainly missed, and follow-up interviews were incorporated into a “living plan” that was used to guide decision makers into action.

In 1999, the city of Columbia adopted the Regional Technology Strategic Plan as the framework around which to build a new economic development strategy. With an overall goal of achieving long-term social, political, and economic success through the strategic use and investment in technology, the city made a commitment to build and support a coalition among local government, local businesses, and local educational institutions

with the singular goal of transitioning the greater Columbia economy into the information age. **A key objective of this plan was to facilitate business creation and growth in order to provide increasing numbers of higher paying jobs for the citizens of Columbia and the surrounding area, and create additional economic activity (wealth) for the region through increased taxes and fees.**

The Columbia City Council embraced the plan and recognized that traditional economic

development activities would not achieve a cost benefit return on investment that would make a significant difference in the lives of its citizens. City Council led the charge and set out to effect changes through the implementation of this plan. The city's Office of Economic Development began working with its partners to implement three key recommendations of the plan:

- Embrace a Culture of Innovation,
- Mobilize Higher Education, and
- Facilitate Business Creation and Growth.

THE USC/COLUMBIA TECHNOLOGY INCUBATOR

One of the key elements of the plan was to create new technology-focused, locally owned businesses, using the research and technologies being developed at the University of South Carolina. Following the basic premise that commercializing research leads to the creation of new companies with high paying jobs which benefit the entire state, the USC/Columbia Technology Incubator was born.

This strategy focused on a new business incubator formed at the USC School of Engineering in 1998. The initial investment in the program was made by Donald R. Tomlin Jr., a real estate developer and entrepreneur, in the amount of \$200,000. The first incubator company, Kryotech, INC., became a success and when the company graduated from the incubator program in 2001, it relocated with 85 highly paid employees whose salaries ranged from \$45K to \$125K. The concept of commercializing technology developed at USC through an incu-



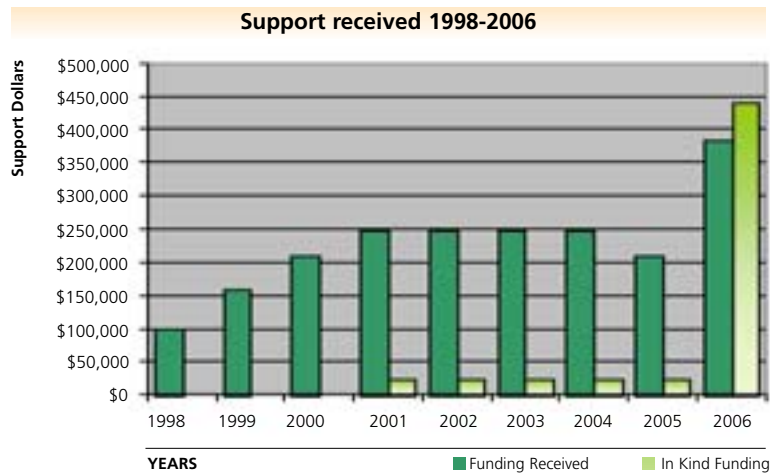
Entrance of the USC/Columbia Technology Incubator



Students at the University of South Carolina have internship opportunities at the USC/Columbia Technology Incubator.

approach was needed. Consequently, more active input was sought. Initially, an electronic survey of business leaders, along with direct interviews, was undertaken. Information was also gathered from numerous technological reports and from meetings of several associated technology groups and committees. Throughout this process the input of key individuals was critical to the

Funding Received by the Incubator Since 1998



bator program had been proven, and USC, with a new goal of becoming a major research university, was committed to commercializing its intellectual property into thriving companies that created jobs for its graduates and the Columbia workforce.

Partnering with the city of Columbia, USC hired an executive director and established a business plan and budget. The first incubator outside the university's campus was located in Columbia at 1233 Washington Street in Columbia's City Center. After just 12 months of operation, the incubator had raised \$160,000 in local support for operations, occupied 5,000 square feet of office space, and was home to six new technology focused companies employing 115 individuals in high-tech, entrepreneurial-oriented jobs. As new companies continued to be accepted into the program, the incubator soon occupied an additional 10,000 square feet in another building located at 1334 Sumter Street, less than a block away from its initial off-campus location.

By 2004, the incubator had grown to 23 new companies and had graduated 12 for a total of 35 of new companies in the region. These companies created 302 new jobs and \$18.5 million in new capital was obtained from venture capital firms, angel investment groups, and individual investors to support company operations. The incubator was now completely out of space and needed a larger facility to house more companies. Again, working with the city's Economic Development Department, the Columbia City Council approved a plan to make available a city building that was being vacated. A lease (\$1/year) was executed and today the 40,000 square foot, 1225 Laurel Street, office building is home to the USC/Columbia Technology Incubator.

The incubator shares its space with the Columbia International Business Center where foreign-based companies can enter the US market on reasonable terms. The incubator building is being up-fitted with private contri-

butions (\$63,750 to date). The rent paid by the companies (\$10 per square foot) along with contributions from organizations in the community, both public and private, provide operating funds for the incubator.

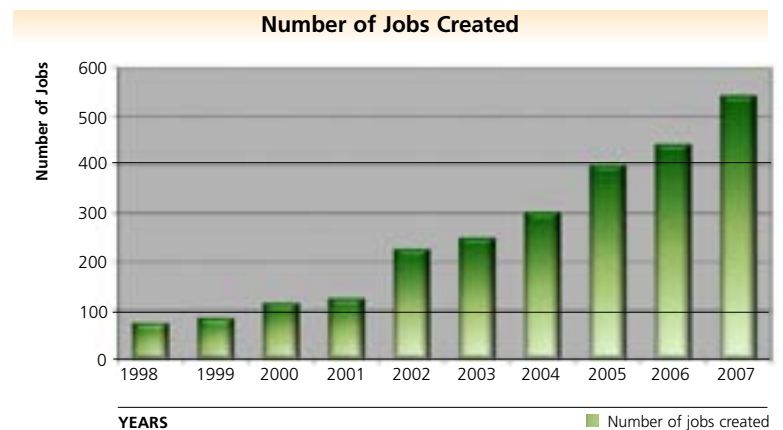
Companies are selected to be in the incubator program only if they meet the minimum requirements set by the Incubator's Advisory Council (IAC). To qualify, a company must: have a written business plan, be a technology based company, and need the University of South Carolina or Midlands Technical College to help it grow its business. The company must be willing, and in fact utilize, the resources (students, faculty, staff, and intellectual property) that are available at the USC or at Midlands Tech.

After just 12 months of operation, the incubator had raised \$160,000 in local support for operations, occupied 5,000 square feet of office space, and was home to six new technology focused companies employing 115 individuals in high-tech, entrepreneurial-oriented jobs.

Once the company is deemed ready to apply, the IAC meets to review the business plan and interview the company's principals. After an interactive admission session, the IAC votes for or against admission to the program. The IAC is composed of nine members from both the business and academic community.

The USC/Columbia Technology Incubator project is a wonderful example of how, both public and private entities, working together can succeed in making a significant impact on the local economy. To date, 17 companies have graduated from the incubator program. These companies have created 334 new high paying jobs in the Columbia market with average salaries exceeding

Jobs Created by Incubator Companies Since 1998



\$60,000. The incubator's six graduation ceremonies have been highly publicized in the local media and also in the Wall Street Journal. To date, the incubator program has helped create 542 jobs, 118 of which are occupied by minorities. These numbers represent the total number of jobs created by current and post-graduate companies.

At this time, there are 38 companies (10 minority companies) in the program. Statewide, the incubator has been recognized as a cutting-edge business incubator and has been selected by the South Carolina Department of Commerce as a "Best Practices" model to assist other South Carolina communities and organizations in developing their own incubator entities.

IDV: A PERFECT EXAMPLE OF COMMERCIALIZATION

Businesses from the incubator are at the cutting-edge of developing new technologies and creating unique products and services that improve the quality of our lives, granted, on a relatively small scale today, but on a much grander scale tomorrow. As a result, these companies are enhancing the economic development success of South Carolina with highly skilled workers, advanced technology and research, and adding new products and services to the market.

Visualization Software is the "name of the game" for one incubator company graduate, Interactive Data Visualization, also known as IDV. If you've seen the popular movies "Shrek the Third" or "Spider-Man" then you've seen the products developed by IDV. Thousands of scenes call for virtual trees, trees that move with the wind, trees that drop leaves, and trees that diminish in size as the camera zooms out – all created by IDV.

Chris King and Michael Sechrest co-founded IDV in late 1999. IDV was initially formed as a subcontracting entity of a Virtual Test Bed (VTB) research effort, focusing on moving VTB visualization technology to emerging workstation-class PCs so that a growing body of users, with limited equipment budgets, could benefit from VTB's robust visualization technologies. From this project, IDV pursued research and software development efforts aimed at delivering dramatic improvements to the customers' ability to see and understand complex systems. IDV was accepted into the Incubator program in June of 2000, and much like Kryotech, is another great example of successful growth using technology transfer and commercialization.

IDV has also done a considerable volume of business based on military-related research work, including interactive visualization for various Electromagnetic Aircraft Launching Systems (EMALS) designs, an orbit irradiance



University of South Carolina Campus.

model for a solar-recharging, satellite and an electrical cabling position system for naval surface vessels.

Apart from its funding from the Office of National Research, IDV has also received Phase I & II SBIR (Small Business Innovative Research) grants from the Navy for the topic "Enhanced Visualization of Modeling and Simulation Processes." The work began in summer 2002 under the authority of the Naval Surface Warfare Center (NSWC) in Dahlgren, Virginia, and was completed in February 2005 with the delivery of a fully functional version of the Eye-Sys visualization software package. Since the day it was founded, Mr. Sechrest and Mr. King have been directly involved in all aspects of IDV's business, research and development activities. They have taken leading roles with the customers both in defining new project requirements and in supporting products with new and innovative adaptation of technology driven systems that are already deployed.

IDV's success, rapid growth, and the award-winning power of its commercial products are a direct reflection on the vision and managerial expertise of their founders and the assistance they received from USC and the incubator staff. As equal owners of IDV, they are committed to growing the firm and expanding their visualization offerings with products that set the standards for ease of use, efficiency, and

functionality for their customers around the world. Today, the company has 26 employees whose average compensation is well above \$60K.

THE ECONOMIC FUTURE IN COLUMBIA

There are three basic ways to create jobs and wealth for a local economy. First, investment and new jobs can be imported, as in the traditional sense of economic development. Second, existing companies can be supported and grown via business retention and growth programs. Finally, new companies can be started and nurtured via programs like the USC/Columbia Technology Incubator.



Interactive Data Visualization, Inc., an incubator graduate.

Recruiting new companies can be very expensive and not always a successful (long-term) endeavor. Nurturing and growing local companies is an efficient way to accomplish long-range economic growth and is usually very cost effective. In addition, business retention and expansion programs create goodwill in the business community by supporting existing companies. Finally, but certainly not least, new business enterprises can be highly-successful in creating new jobs and investment. The Incubator program established in Columbia is doing just that as evidenced by the results of this still very young program.

The USC/Columbia Technology Incubator continues to grow and will eventually be located in Innovista, the University of South Carolina's exciting new 500-acre Technology Research Campus that will forever change the landscape of downtown Columbia. The impact of USC's research, resulting in marketable new technologies that are commercialized into new companies, will continue to have a significant economic, social, and political impact on Columbia and the surrounding area.



John Weidner and Chuck Holland with their hydrogen powered Segway from H2M - Hydrogen Hybrid Mobility, an incubator company.

For their work, in 2007 the Columbia Office of Economic Development and the USC/Columbia Technology Incubator received a State Award for "Innovative Economic Development" from the Municipal Association of South Carolina. They also received IEDC's 2007 award for Technology Based Economic Development. As the momentum continues, the push for commercialization of intellectual property at the University of South Carolina along with the support of the city of Columbia and the business community will insure that the outlook for successful new companies, creating new jobs, and investment is bright, and the vision for economic growth is clear for the Midlands of South Carolina. 🌐

2008 EXCELLENCE IN ECONOMIC DEVELOPMENT AWARDS



This is your time to shine! Send that innovative program, promotion, or project in and get the recognition you and your organization deserve. The International Economic Development Council's 2008 Excellence in Economic Development Awards will kick off its Call for Entries on March 3, 2008. Enter early and save!

Each year, the International Economic Development Council conducts the Excellence in Economic Development Awards program. With over 20 different categories, IEDC's highly regarded program recognizes the "best of the best" in the economic development profession. Award winners will be recognized at IEDC's Annual Conference in October 2008 in Atlanta, GA.

More information about the program, including submission requirements and entry fees, will be available online at www.iedconline.org in January 2008. Until then, contact Paul Cutting at (202) 942-9459 or pcutting@iedconline.org for more information.

9 New Categories Added for 2008!

2008 Awards Timeline:

- March 3** Call for Entries opens
- April 7** Early Bird submission fee deadline (entry fees increase after this date)
- May 19** Final submission deadline
- June/July** Judging & Notification
- Oct. 21** Winners recognized at IEDC's Annual Conference in Atlanta, Georgia

For complete details, download the IEDC Awards Entry Packet at www.iedconline.org

from main street to

THE GOVERNOR'S OFFICE

By Ray Watson; Contributor: Christopher Shields

How does a small suburban municipality that is generating absolutely no interest from developers and losing an average of \$100,000 per year in tax revenue because of an abandoned mall and declining business district become home to one of the largest economic development incentive deals in Texas, all within the span of less than 15 months? The answer is perseverance and cooperation.

These were the daunting circumstances that Windcrest, Texas, faced in the spring of 2006. During the next year, extraordinary levels of inter-governmental cooperation and new EDC leadership would lay the groundwork for an economic transformation that previously had been considered almost unthinkable in this San Antonio suburb.

At the center of Windcrest's harsh reality was Windsor Park Mall, an abandoned shopping complex with 1.2 million square feet of space whose steady loss of tenants and eventual closure had precipitated the community's economic decline by the end of the 1990s. For more than two decades, the mall's presence had fueled economic activity along Walzem Road, Windcrest's main thoroughfare that formed the northern border of the mall property.

"As the mall goes, so goes Windcrest" was a truthful refrain that at one time could have been used to celebrate the community's prosperity. In more recent years, these words had become little more than a painful reminder for residents and community leaders that their previously insulated northeast corner of the San Antonio metropolitan area was feeling the encroachment of urban decay



Out-of-date signs depicting the former mall's name will soon be replaced with Rackspace branded signage.

and a lack of concern from the other municipalities surrounding Windcrest.

This is the uphill struggle that faced the Windcrest Economic Development Corporation (WEDC) (www.ci.windcrest.tx.us) in the spring of 2006. The other obstacle facing the corporation was that it had new staff leadership coming in and did not know if the new executive director would be up to the challenge. The new person had to overcome the fact that Windcrest's image had been severely tarnished. Negative perceptions of the area were being perpetuated by media reports of violence and gang activity in the vicinity.

Ray Watson is the executive director of the Windcrest Economic Development Corporation (rwatson@ci.windcrest.tx.us) and contributing author Christopher Shields of Christopher S. Shields, P.C. (cshieldspc@aol.com), is a legislative consultant and tax attorney who specializes in economic development incentives.

AN ALLIANCE FOR ECONOMIC REDEVELOPMENT

Knowing that the vitality of the city of Windcrest, a municipality of 5,300 residents located northeast of San Antonio, was directly linked to the vitality of the neighboring businesses, Windcrest leaders began laying the groundwork for an initiative to revitalize the adjacent corridor. This corridor was once a thriving area that had in the last decade seen a dramatic decline in business activity, appraisal values, and sales tax revenues following the closing of nearby Windsor Park Mall. Through collaborative efforts including city, county, and state representatives, Windcrest was able to spearhead a complex and innovative economic incentive package that allowed technology company Rackspace to relocate to the former mall property.

The new leadership also had to surmount a very tangible obstacle to new business investment: undervalued land. The rest of Bexar County was appreciating at an average rate of 16 percent, while values in the Windcrest area were rising only about 4 to 6 percent annually.

Since the mall had long served as the hub of economic activity for Windcrest, the WEDC, City Administrator Ronnie Cain, Mayor Jack Leonhardt, and County Commissioner Tommy Adkisson knew that finding an effective use for the mall property was essential to restoring Windcrest's economic vigor and they had a vision that just needed to be put into motion. Unfortunately, Windcrest was in no position to bring about any such project on its own. The city didn't own the mall property. It was split among three separate owners. The mall wasn't even within the Windcrest city limits. The site was just across the line in San Antonio.

Restoring vitality to the mall property would have to involve partners in both the public and private sectors. City leaders determined that the only way to begin plotting an effective course was to gain control of the mall by

Restoring vitality to the mall property would have to involve partners in both the public and private sectors. City leaders determined that the only way to begin plotting an effective course was to gain control of the mall by bringing it under single ownership.

bringing it under single ownership. The city had little to contribute to a purchase, at least not in traditional ways. Aside from declining revenues, Windcrest had always been a fiscally conservative community whose citizens were extremely adverse to debt. Since conventional financing avenues could not be considered, a private funding source would be needed.

PIECES OF A PUZZLE

Outreach efforts among various private real estate investors / developers led to the first piece of a very complex puzzle falling into place. A multi-state consortium of private investors (one from the San Antonio area and two from Louisiana) who had been looking for an opportunity such as this came together to form a limited liability company, the Windcrest Economic Development Company, L.L.C., and partnered with the Windcrest Economic Development Corporation (WEDC) to buy the mall for \$27 million in April 2007 with the intent of offering a lease-to-buy proposal to a future anchor tenant.

The consortium provided all of the capital needed to buy the mall site from the multiple owners, so that the city of Windcrest and the WEDC incurred no financial liability and the only recourse was the mall itself. Their role was to eliminate procedural obstacles to redevelopment and extend incentives to attract investment.

The acquisition of the 68-acre mall property made it possible for the mall to be listed under the WEDC's name on deed records and, therefore, taken off the tax rolls. This strategy was meant to accommodate the consortium and entice potential tenants, since it would allow the mall and all improvements and tangible personal property to be exempt from city, county, and school district property taxes during the term of a lease agreement. The vision for the mall structure was that it would ultimately function as a company headquarters in a corporate campus setting.

Photo courtesy of Placemakers (Scott Doyon)



The former Mervyn's building is the first section of the mall to undergo renovations.

Under Texas' very complex school finance system, it is difficult to secure exemptions from school property taxes. These local property taxes constitute as much as 60 percent of the local property tax burden and are a key consideration for any company planning a major capital investment. WEDC was able to provide the exemption through a unique tax provision that is available only to economic development corporations. With minor exceptions, the school district is not negatively impacted, as the state holds the local school district "harmless" from any change in its level of school funding.

Windcrest and the consortium expanded upon this concept by outlining a plan whereby the consortium through personal financing would purchase 303 additional acres of property in the immediate vicinity of the mall at a cost of more than \$40 million. These parcels were intended to provide room for the development opportunities that the reutilization of the mall property was expected to prompt. This land was also intended to help the investors increase the return on their investment and give Windcrest and other local taxing entities greater gains in the future.

The consortium formulated a plan that would integrate the mall property with a mixed-use development on the adjacent acreage. This additional development would include retail, commercial and residential facilities, as well as recreational and lifestyle amenities, that would be designed to complement the corporate culture of any tenant that would occupy the former mall structure.

Despite securing private funding and having a concept for the project, the intricate nature of Windcrest's ultimate objectives required that several political hurdles would have to be cleared before the project could gain momentum. In particular, Windcrest eventually hoped to gain additional tax revenue by bringing the mall and the adjacent properties inside its city limits.

Purchasing the mall site had not been a problem because current state economic development statutes allowed a municipality to purchase land that was outside of its city limits, as long as the land was to be part of a project that involved adjacent land within its city limits. Gaining future tax revenue from the mall site and nearby properties, though, was not a possibility for Windcrest because the land was outside its jurisdiction. Furthermore, even if a mechanism for effecting a boundary change was put into place, San Antonio would have to be persuaded to go along with the proposal.

CONSENSUS BUILDING

Windcrest representatives engaged in an exhaustive series of meetings from the fall of 2006 through the spring of 2007 to help state and local officials understand the merits of their project and gain support. Windcrest's core message was that reinvigorating the mall area and the Walzem Road corridor was not just a Windcrest issue. Windcrest leaders contended that their objective was good for the entire northeastern section of the metro area and Bexar County, since the ancillary growth that would result would spread into these nearby areas.

Persistence paid off. During the 2007 session of the Texas Legislature, State Representative Joe Straus authored a bill, co-sponsored by State Senator Jeff Wentworth, that would allow cities of similar size and demographics to the cities of Windcrest and San Antonio with a similar situation as Windsor Park Mall to negotiate a revision of their boundary lines that separate them. The legislation called for San Antonio to relinquish the mall property and the adjacent tracts of land and for the Windcrest city limits to be extended to include them. The bill, which the legislature eventually passed, combined with Judge Nelson Wolff's (county judge, Bexar County Commissioners Court) influence helped spur talks between the two cities.

San Antonio representatives initially were not convinced of the need to transfer property to Windcrest, in order to help redevelopment move forward. Windcrest officials explained that their collaboration with the investment consortium and the use of the property tax exemption/lease back provision available only to economic development corporations made it imperative that Windcrest acquire the property. The proposed tax abatement structure was worth several tens of millions of dollars to the right tenant. Without this transfer, the project could not progress and the metro area would squander a chance for extraordinary economic expansion.

FILLING A VOID

As the political considerations were being sorted out, Windcrest was simultaneously intensifying its efforts to secure a tenant for the mall site. Initial discussions involved Nationwide Insurance, but a homegrown, San Antonio-based technology company soon entered the picture. Rackspace Managed Hosting, the fastest-growing managed hosting specialist in the world, expressed interest in the location because of its potential to accommodate the company's rapidly expanding workforce. Rackspace, which also has facilities in Dallas, Washington, D.C., and London, projected that its 1,800 employees would more than triple in the next four to five years. When discussions between Windcrest and Rackspace began in the summer of 2006, Rackspace was already exploring options for relocating its headquarters to other cities and states.

Windcrest crafted a package of incentives for Rackspace that necessitated another enormous diplomatic effort for Windcrest to spearhead. The package was largely a mixture of tax abatements and bond money tied to a 30-year lease offer. The lease included a 14-year property tax exemption that had been approved by the affected city and county taxing entities.



With a focus on green building techniques, Rackspace plans to utilize the facility's 18-foot-high ceilings by positioning offices on raised floors that will house sub-level heating and cooling systems.

Windcrest and Rackspace representatives wanted to ensure that the Northeast Independent School District did not lose any school funding as a result of the mall project, and could even come out ahead. As a result, the agreement called for the tenant to make "payments in lieu of taxes" (PILOT) during the abatement period equal to the amount of interest and sinking fund monies that the company would have paid under normal circumstances. In Texas, these dollars are used to provide school facilities and are separate from the "maintenance and operations" taxes that constitute the majority of school property taxes. Along with PILOT payments, the tenant would be required to pay full sales taxes on local sales made throughout the lease period.

Photo courtesy of Rackspace and Seth Seal

The initial incentive package also called for Windcrest to issue approximately \$100 million in taxable lease revenue bonds to finance the initial renovation of the mall to suit the tenant's needs, as well as pay back the consortium for the purchase of the mall property itself. Additional bond issues for as much as \$200 million would be made available for further renovation and expansion projects in the area. The bonds would be payable solely with the lease payments. No general fund, property taxes or sales taxes were to be used and the bonds would solely be based on the company's credit. Additionally, Windcrest was to serve as general contractor for the tenant during the remodeling of the mall to save the 8.25 percent sales tax on the materials used in completing improvements to the mall. At the end of the lease term, the mall property would be conveyed to the tenant for \$1 under an agreement between the city and Rackspace.

Finalizing the framework of incentives for Rackspace represented only part of the battle for Windcrest representatives. They also had to address a number of peripheral concerns that involved the city of San Antonio and the state of Texas.

In return for San Antonio's agreement to relinquish the mall site and the adjacent acreage, Windcrest negotiated a revenue-sharing agreement with its neighbor. Windcrest would pay San Antonio the current level of property taxes that it was already receiving from the properties plus 50 percent of all property and sales taxes that would be generated during the course of the 30-year lease period. San Antonio would be guaranteed at least \$4.1 million, but could collect as much as \$34.5 million.

An opinion by the Texas attorney general, meanwhile, created the need for Windcrest to provide further reassurances to Rackspace of the fundamental soundness of the project. The opinion suggested that combining the tax abatements offered to Rackspace within the framework of the lease-back agreement could be deemed unconstitutional in a court challenge. For example if a taxing district decided that it did not approve of an incentive package that the city or other governmental agency offered to a company, that district could file a suit against the constitutionality of the package, thus forcing the attorney general's office to make a ruling one way or another.

To allay any possible fears on the part of Rackspace, Windcrest entered into an agreement under Section 380 of the Texas Local Government Code, which contains a "make whole" provision. It would obligate Windcrest to compensate Rackspace for any tax liability that it might incur, if the laws that allowed Rackspace's tax exemption were to change in the future. Bexar County (spearheaded by Commissioner Adkisson and David Marquez

Approval of the grant from the Texas Enterprise Fund and the commitment for job training dollars from the Skills Development Fund amounted to the final pieces of a redevelopment puzzle that took more than a year to complete.

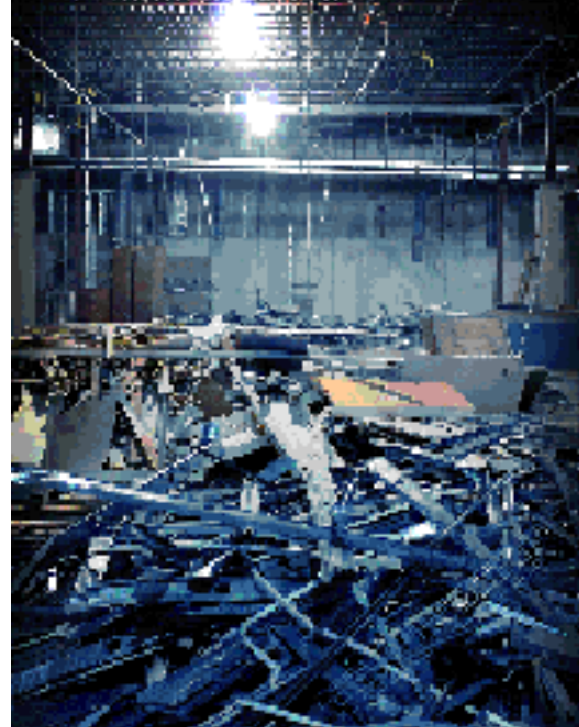


Photo courtesy of Rackspace and Seth Seal

Remodeling of the former Mervyn's building began in fall 2007 with an expected completion of this section in spring 2008 when the first Rackers move into their new offices.

of the Bexar County Economic Development Department) also gave a Section 381 agreement – a similar government code designed specifically for counties – to guarantee its portion.

Even as Windcrest eliminated obstacles and enhanced the existing proposal for Rackspace, city representatives sought to exhaust all enticement possibilities. They approached the Texas governor's office with the plan for their project and the proposal for Rackspace, in hopes of garnering a grant from the Texas Enterprise Fund (TEF). This fund was a key factor in 2005, 2006, and 2007 when Texas won *Site Selection* magazine's Governor's Cup award,

which is presented to the state that secures the most projects in a given year to build or expand corporate facilities.

The case for receiving grant funding was compelling, given Rackspace's projected growth, the prospect that its relocation would spawn related economic activity, and the need for revitalization in the Windcrest area. Despite this compelling case, there were several hurdles to cross to secure funding.

As with most state programs, there is some sense of the need for geographical distribution, and there was a general perception that San Antonio had gotten its fair share from the TEF during the past two years. In addition to that, the legislature helped provide incentives for the Toyota facility, although the TEF had not yet been created; that package included training dollars, infrastructure improvement, land purchase, site preparation work dollars, as well as a facility in which to train Toyota

employees. Every other region of the state had certainly taken notice of the San Antonio region's recent success in attracting major new investments.

After a great presentation by the company and some key support from local legislative leadership, the state responded by approving \$22 million for the project. This is one of the largest grants awarded from the TEF and represented a significant percentage of the dollars that were available for the balance of the fiscal year.

Representatives of the governor's office projected that the state would receive a return that is far greater in new sales tax revenues alone than the amount of the grant award. They also estimated that keeping Rackspace from moving would generate more than \$400 million in capital investment in Texas. There were no stipulations assigned to the money, so Rackspace could use it for any purpose that the company saw fit.

The state was able to provide one additional incentive to urge Rackspace to grow in Texas as it became clear that at least two other states were willing to provide substantial incentives to Rackspace. That additional incentive was in the form of \$4 million of job training funds through the state's Skills Development Fund. Working through the region's community college district, these funds will help ensure the quality and availability of the workforce that is critical to Rackspace's success.

Approval of the grant from the Texas Enterprise Fund and the commitment for job training dollars from the Skills Development Fund amounted to the final pieces of a redevelopment puzzle that took more than a year to complete. On August 3, 2007, Windcrest publicly announced that Rackspace had signed an agreement to occupy the former Windsor Park Mall site and take it on as the company's corporate headquarters, with visions of a Google, Apple, and Adobe world headquarters.

LOOKING AHEAD

The outlook for Windcrest and its Walzem Road corridor changed almost overnight with Rackspace's commitment. In all, as many as 6,000 Rackspace employees are expected to be working in the remodeled mall structure within the next five years. Their average salary of \$51,000 will result in a payroll in excess of \$300 million. Along with Rackspace's relocation, the investment consortium has obtained 111 acres south of the mall site that will be developed into a \$225 million mixed-use project that feeds into Rackspace's needs and was part of the consortium's original vision for the area.

These figures are just the hard numbers. The completion of this deal is bringing renewed recognition and interest to Windcrest, which bodes well for future property values and tax revenue. Just since the August announcement, at least nine developers have contacted Windcrest about opportunities associated with the Rackspace agreement, some of whom were not interested in the area prior to Rackspace.

Additionally, in December 2007, the Windcrest Economic Development Company hosted a weeklong, public design planning process, known as a charrette

Project Timeline

- **October 2005** – First public meeting held in Windcrest to discuss revitalization needs.
- **January 2006** – The Walzem Road Area Revitalization organization was formed by citizens concerned about area decline.
- **June 2006** – Ray Watson hired as executive director of the Windcrest Economic Development Corporation.
- **July 2006** – Windcrest Economic Development Corporation and city of Windcrest meet with Rackspace to discuss options for the company relocating to the area.
- **September 2006** – Private real estate developers / investors partner to form the Windcrest Economic Development Company, LLC.
- **April 2007** – Windcrest announces ownership of former Windsor Park Mall property.
- **May 2007** – City councils from San Antonio and Windcrest vote to approve a boundary redistribution to place the mall under the jurisdiction of the city of Windcrest.
- **August 2007** –
 - City councils from San Antonio and Windcrest vote to approve the entire economic incentive package being offered to Rackspace;
 - Rackspace signs a lease to relocate its company headquarters to the former Windsor Park Mall.
- **November 2007** – Redesign of the mall property begins.
- **December 2007** – Area developers host public planning meetings to initiate master design plans for the area surrounding the mall.
- **Projected in April 2008** – Rackspace expects to move several hundred employees to its new headquarters in Windcrest.


(www.whatsnextforwindsorpark.com), with renowned architect and city planner Andrés Duany of Duany Plater-Zyberk & Company (DPZ). The DPZ team has since finalized a master-plan for a true, mixed-use development south of the mall that will feed into the youthful culture that Rackspace is bringing to the area. Currently, the development company is working with a number of other investors and developers to evaluate their potential fit into this development.

The Windcrest experience is not easily modeled. Public-private partnerships tend to involve two, or maybe, three partners, not the five-member coalition that has launched this redevelopment initiative. What other municipalities and economic development corporations can glean from this case is a lesson in perseverance and a key to forging and maintaining alliances: focusing on the common good. The fundamentals of this project were sound. Moving forward became a matter of educating different audiences about the collective benefits that could be achieved for the area as a whole, if each group could understand and accept its role, and retaining legal counsel that could steer through the complexities of the project.

In this particular case, Windcrest benefited from lawyers who were also economic development special-

ists. In fact, Chris Shields, the attorney who originally helped outline the structure of the incentive package for Rackspace, actually helped draft the legislation more than a decade ago that authorized the property tax abatements that made this deal possible. Shields recommended Jim Plummer, a tax partner at the law firm of Fulbright & Jaworski, to handle the implementation and documentation for the transaction. Together, Shields and Plummer guided all of the multiple parties involved through a very complex transaction.

Economic development is different today than it was in the relatively recent past. Globalization and outsourcing have brought new competitive pressures to bear on the process. Public sector entities typically are not subject to market forces, but the current environment demands that they adopt a more aggressive stance when it comes to attracting new investment and nurturing ongoing economic activity. Existing jobs, and entire companies, can quickly be relocated, given the many incentives that exist for them to do so. Remaining economically viable may involve exploring nontraditional funding sources. It also could require collaboration, not only with the private sector, but with other governmental bodies as well.

Forming strategic alliances to generate economies of scale was once a practice reserved almost exclusively for the private sector. Today, employing such tactics should be a common approach for the public sector as well. Before starting a project like this, participants especially will need creative legal counsel that understands how economic development works. 

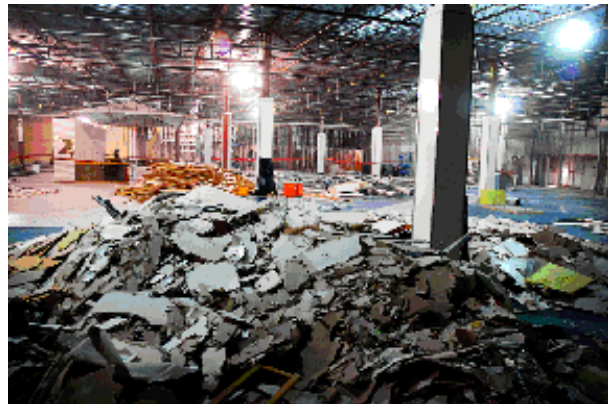


Photo courtesy of Rackspace and Sixth Seal

Demolition of the second floor of the former Mervyn's building began in fall 2007 in preparation for the first several hundred Rackspace employees moving into their new offices in spring 2008.

Special thanks to:

The state of Texas
Rackspace
Bexar County
City of Windcrest
City of San Antonio
Christopher S. Shields, P.C.
Jim Plummer, Fulbright & Jaworski
Walzem Road Area Revitalization Group



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historic preservation and

CLUSTER BASED ECONOMIC DEVELOPMENT

By John Laurie

INTRODUCTION

Until recently, historic preservation has most often been thought of in terms of architectural design, both by its proponents and by those seeking to replace historic structures with more modern ones. The focus is always the aspects of form, style, and unique attributes of structures which are descriptive of the particular eras in which these structures were constructed. While the architectural attributes of historic structures tend to be aesthetically pleasing to those who live in and near them, they also evoke a sense of cultural connection. They are symbols of bygone eras, a tangible link to the past history of an area, often cherished for their ability to convey the intangible aspects of social attitudes, cultural influences, and community history and character to the people that have contact with them.

Traditionally, conflict has arisen between those who have favored preservation purely for cultural and aesthetic means and those who have sought to demolish historic structures for the purposes of economic development. It had long been assumed that preservation was a hindrance to economic development – costing money to preserve historic structures as opposed to new developments which can generate money through the businesses, commercial structures, and homes that are built upon them. Although preservationists made many valid points in favor of preservation, most often they had



Historic New Orleans.

Photo: Chris Granger

great difficulty in fighting this perception. Primarily, this is because proponents of development are speaking in terms of realized economic gain – a dollar figure that can be quantified with consistency. Conversely, the primary arguments in favor of historic preservation tend to be far more ‘intangible’ from a cost-benefit analysis perspective.

A number of studies in recent years, particularly those done by Donovan Rypkema, have shown that preservation in fact does not hinder economic development efforts, but instead can be a powerful economic development tool. Industries such as tourism, entertainment, environmental management, and housing can all be significantly enhanced by historic preservation, providing

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BUILDING THE FUTURE ON THE FOUNDATION OF THE PAST

Historic preservation has most often been thought of in terms of architecture and aesthetic appeal as opposed to a vehicle for economic development. Recently, it has been shown that a range of industries can be economically fortified by historic preservation. However, historic preservation has the capacity to do far more than just bring about positive economic outcomes in various industries. Using the cluster based economic development theory, this article will describe how a cohesive economic development effort, centered on historic preservation, can be an important part of a city's economic development strategy. The article provides an overview of the tourism, environmental management, housing, and film making sectors in conjunction with a cluster based approach. This focus demonstrates how this approach can help cities increase inward investment and move away from imitation and toward innovation.

ample economic development opportunities for communities, cities, and even regions. While it is impressive that historic preservation can have positive economic outcomes for such a diverse set of industries, it is possible to link together these seemingly unrelated components through commonalities, multiplying their economic impact many times over. How? The key is to identify industries and sectors that can be improved through historic preservation, find the commonalities, and link them so they function as an integrated unit. Applying this *cluster based economic development approach* to historic preservation, a city or region can profoundly improve its economic viability.

This article will identify particular industries and sectors which can be positively enhanced by historic preservation, and it will also show the specific economic benefits of preservation regarding these areas, and demonstrate how these industries and sectors can function as an integrated system using a cluster based approach.

CLUSTER BASED APPROACH

Cluster based approaches to economic development are microeconomically based, emphasizing national, state, and local competitiveness in a global economy. According to Michael Porter of the Harvard Business School, clusters are “geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, trade associations) in a particular field that compete but also cooperate.” This definition provides the framework for developing a cohesive economic development plan based on historic preservation. But, what exactly does a cluster based approach mean to historic preservation and economic development? Aside from being the basis of an organized economic development plan, this approach provides tangible and powerful benefits to those involved in the cluster as well as the region as a whole. Specific benefits include access to specialized knowledge, skills, and resources; lower transaction costs; specialized infrastructure; and enhanced productivity and output. These benefits come from improving competitiveness among firms within the cluster, from an increase in inward investment, as local rivalries move away from imitation and toward innovation.

HISTORIC PRESERVATION AS AN ECONOMIC DEVELOPMENT STRATEGY

Historic preservation has in fact shown that it can have a positive economic impact on a number of industries, even some which on the surface appear to be unrelated to one another. This is in direct contrast to previous, standard misconception that historic preservation is a costly luxury that must give way to new physical development in order for economic development to move forward in an area. Historic preservation can be an econom-

ically beneficial venture even down to the neighborhood or block level.

Although seemingly an unorthodox player in the economic development game, historic preservation is really an economic tool like any other. Because of this, a neighborhood, city or region can benefit from shaping it through a cohesive approach, allowing it to function efficiently, and capturing revenue which otherwise would be lost. However, in order to have a significant impact, a cohesive strategy should be developed at least at the city-wide level, and quite possibly, even at the regional level – assuming a region has enough historic property to make this viable.

Because preservation is able to affect a diverse range of industries, it appears that revenue generation is inefficient, with unrealized monetary gains. Simply put, with a diverse range of industries affected by preservation, it is unlikely that many of the industries are aware that the others benefit economically from historic preservation. It is not only possible but probable that a number of sectors within each affected industry are unaware that they are

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connected via historic preservation. This leads to the inefficiencies that cause lost revenue within the industries, businesses, the city, and the region. Finding the right approach or economic development strategy is crucial.

CLUSTER IDENTIFICATION AND BOUNDARIES

Essential to this strategy is identification of cluster boundaries, industries, and sectors within industries. Additionally, it is then necessary to link the interrelationships among sectors in each industry, even the intra-relationships among sectors and industries, and identify the “spillover” created by overlapping industry sectors. Finally, determining what these relationships mean after they are identified is crucial. In its simplest form this is done by identifying each industry and drawing the connections and linkages among them.

One of the downfalls of cluster based economic development approaches is the ease in which non-meaningful relationships can be drawn. Clusters are too broadly defined if they are aggregates such as manufacturing services, consumer goods, or “high tech.”¹ In this instance, the groupings are so general that nearly every sector could conceivably be linked. Conversely, it is also easy to identify a cluster with a single industry, missing crucial interconnections with other industries and insti-

tutions – which is precisely the point of identifying the industries and sectors within clusters.² Either of these mistakes can doom an economic development plan.

In using the cluster based approach with historic preservation, the identification of industries related to historic preservation is the first, vital step. While a necessity when dealing with any cluster, proper industry identification in the preservation cluster is absolutely critical because historic preservation is, to this point, such an unorthodox approach to forming an economic development strategy.

The basic assumption previously had been that preservation costs money and hinders economic development. While proven to be untrue, there has been little if any thought on the industry components of preservation because of it. In order to identify these industries, it is necessary to refer back to the four areas which provided positive evidence that historic preservation is indeed viable as an economic development approach. These four categories – tourism, housing, the film industry, and environmental management – are the industry components upon which the historic preservation cluster is based.

TOURISM

The tourism sector is perhaps the most important and powerful ally of historic preservation in terms of economic benefit. In the United States alone, \$545.5 billion were generated from travel related activities in 2003.³ This figure includes both domestic and international travelers to the U.S. and encompasses not only travel related expenses but the cost of passenger fares. However, demonstrating an accurate breakdown of what sectors actually generate tourism dollars has been historically difficult as well as contentious. This is due in large part to overlap in spending done by tourists regarding their interests and needs during travel. Fortunately, a greater emphasis on qualitative research has been done in recent years. This has led to greater detail and understanding the reasons tourists spend their dollars among sectors and more specifically, intra-sector spending.

A study done by the University of Florida's Center for Governmental Responsibility indicated that historic preservation generates \$4.2 billion tourist dollars annually to the state of Florida – and this is considered a conservative estimate.⁴ This is an impressive figure considering the wealth of tourism opportunities Florida has to offer – beach and ocean related activities, theme parks, restaurants and nightclubs, and sports. Because of this, it is necessary to delineate between tourism directly related to historic preservation and all other tourist activities.

Researchers used a breakdown of several key areas which they considered relative to historic preservation – property values, assistance programs, housing rehabilitation, and heritage tourism. Using accepted industry formulas, the study found that \$3.7 billion tourist dollars are directly related to heritage tourism.⁵ Tourists specifically visited and spent money at locations which offered the intangible attributes that historic preservation has to offer. This makes a clear connection between the intangible cul-



Heritage tourism visitors spend more money than the average traveler.

Figure 1. Attributes of Heritage Visitors

- Heritage visitors spend, on average, \$615 per trip, compared to \$425 for all U.S. travelers.
- Travelers at historic and cultural sites stay an average of 4.7 nights as compared to 3.3 nights for all U.S. travelers.
- Travelers to historic and cultural sites are more likely to shop as part of their trip.
- Heritage visitors are more likely to stay in a hotel, motel, or bed and breakfast.
- Travelers to historic and cultural sites are more than twice as likely to take a group tour than the average traveler.

(Rypkema and Wiehagen, 1998)

tural, architectural, and historic elements of preservation and the tangible, quantifiable element of money.

It can be argued that a state such as Florida, with its many natural attributes, is a tourism magnet and this would seem to skew upward tourism dollars generated from historic preservation. With tens of millions of people visiting Florida every year, at least a portion would be willing to visit locations with a heavy emphasis on historic preservation. However, studies conducted by Donovan Rypkema show that the most frequently visited states by heritage and cultural visitors are New York, California, and Pennsylvania.⁶

The most frequently visited states have economies which are not nearly as tourist driven as Florida, focusing far more on finance, industrial, real estate, and banking sectors. This is a clear indication that people are willing to travel to locales not necessarily dependent on tourism in general, in order to experience (spend money) areas with high levels of historic and cultural value. Rypkema's studies have also shown that heritage visitors – those who travel for the historic and cultural attributes of a locale – contribute more dollars to the tourism industry nationwide than any other type of visitor (See figure 1).

HOUSING

Traditionally, maintaining and rehabilitating homes has been little more than an afterthought. This has been especially true since World War II when the newer, bigger better attitude of American consumerism took hold. The standard development pattern since this time has been to continually develop the less expensive, less regulated, fringe areas away from the more populated urban cores. However, recently the U.S. has witnessed an increase in the number of housing rehabilitations occurring in cities, and an increasing percentage of those have been historic rehabilitations. Historic rehabilitations have been most prevalent in older cities, particularly those which have significant numbers of historic homes.



Photo: Samuel Bell
Cornell University Students Participate in Historic Rehabilitation in Post-Katrina New Orleans.

Historic preservation is able to spur economic development through housing rehabilitation tied to the Historic Rehabilitation Tax Credit (HRTC). Created in 1976 and amended in 1986, it allows for a 20 percent tax investment credit for the rehabilitation of *income producing* properties⁷. The investment tax credit (ITC) allows investors to deduct dollar for dollar against their federal income taxes. In order to qualify, structures being rehabilitated must be a Certified Historic Structure. According to HRTC guidelines, the rehabilitation must be 'substantial' – more than \$5,000 or the adjusted basis of the renovated property, whichever is greater.⁸ For the last 25 years, both developers and non-profit organizations alike have used this tool, allowing for the rehabilitation of homes in areas with historic structures.

From 1990 to 1994, rehabilitation represented almost 80 percent of the total value of central city construction in St. Louis and 50 to 60 percent in Baltimore, Cleveland, Detroit, Philadelphia, San Francisco, and Washington D.C.⁹ While not all rehabilitation of housing stock has been to historic structures, preservation plays an important role in the rehabilitation process. It is estimated that 5 to 10 percent of all rehabilitation construction is historic and this percentage tends to be higher in more densely constructed urban areas and older suburbs, at about 7 to 10 percent.¹⁰

A peripheral benefit to the use of federal tax incentives for historic building rehabilitation has been the increase in affordable housing stock in the urban core. While on its face, affordable housing may seem to be only a nice social benefit, it provides opportunities for revenue generation through taxes and commerce. It also helps to encourage further historic preservation efforts as cities begin to recognize people have once again begun to desire to live in close proximity to the amenities of the urban core.

Richard Moe, president of the National Trust for Historic Preservation, has noted that over the next ten years, approximately 20 million new jobs will be created and about 7 million of those will produce incomes of less than \$20,000 per year.¹¹ The people who hold those jobs will require affordable housing, preferably within moderate driving or possibly even walking distance from where they work.

It would seem unlikely that historic preservation efforts could be a contributor to affordable housing stock – it has often been criticized as having an 'elitist' effect on neighborhoods. The argument has been that while historic preservation increases home values which increases revenue through property taxes, it also increases rent and the cost of living (often through these same revenue generating taxes) for those low-to moderate-income residents, often displacing them. This is largely a myth.

According to the National Park Service, \$4.76 billion has been invested in projects it has reviewed and approved, including 27,851 low-to moderate-income housing units. This constitutes 44 percent of all housing units completed through the historic preservation tax credit program in the same five years.¹² The Colorado Housing and Finance Authority (CHFA) has found that while historic home rehabilitation brings newcomers to an area, only a small portion of them have incomes that are significantly higher than existing residents. In historic districts studied by the CHFA, more than half the residents had household incomes of \$30,000 per year or less. This serves as a clear indication that wealth is not a prerequisite for historic home rehabilitation, and lower income residents can benefit from and play a role in historic preservation efforts.

FILM INDUSTRY

Traditionally, the film industry has been most closely associated with Hollywood. Many of the films produced have used historical settings as part of their backdrop. While technology has continually improved over the years, especially the last 20 years, there is still a need for a physical representation of the historical built environment. While this can be done by physically constructing backdrops or even entire towns, it is often preferable to film at a location with buildings that have authentic historic value. Aside from contributing to authenticity, it is

also more cost effective for production companies to travel to a given location than it is to build entire city reproductions.

Because of this need for historical authenticity, cities not normally associated with the film industry have become prominent locations. These include Philadelphia; Montreal; New Orleans; Chicago; and Asheville, North Carolina. These places have become movie industry hubs because of their ability to convey a particular time and place. In fact, they do not always represent only their actual location or region in films. Often, these cities are used to represent *other* cities in movies because of the wholesale demolition of historic structures and/or neighborhoods in many parts of the country.

The movie "Beloved" for example, was set in Cincinnati in the 1880's. Unfortunately, too many of the buildings from that time period in the city had been demolished to realistically portray the historical context of the movie. Instead, the movie was shot in

As many urban areas throughout the country have lost much of their historic fabric in the last 50 years, cities which continue to have high quantities and quality of historic buildings will continue to reap the benefits of the movie industry.

Photo: Kerry Hayes



Director Steven Zaillian on the set of "All the Kings Men" in New Orleans.

Photo: State of Florida



Brownfield Redevelopment Site in Florida.

Philadelphia, where entire blocks of buildings from the appropriate time period remain. This movie alone had a \$15 million direct economic impact on the city.¹³ Eight other movies have been filmed in the past decade using the historic elements which are unique to Philadelphia. All have had similar direct economic benefits through cast and crew patronage, taxes, the hiring of local workers/laborers, and tourism related activities.

The film industry has had an important economic impact in other cities as well. Asheville, North Carolina, with a population of only 90,000, now has the third largest film industry in the country. Since 1980, the tiny

city has seen direct expenditures of over \$4.6 billion.¹⁴ This is directly related to the city's significant historical stock, variety of housing styles, and its location (nestled in the Blue Ridge Mountains) making it a versatile filming location.

Along with the recognition produced by mass movie audiences and increasing tourism to the state, there is also the benefit of taxes on production, equipment, salaries, and accommodations. Additionally, there is a boost to the local economy in terms of money generated by specialized and non-specialized workers needed as part of the entire production process.

As many urban areas throughout the country have lost much of their historic fabric in the last 50 years, cities which continue to have high quantities and quality of historic buildings will continue to reap the benefits of the movie industry. In fact, it is likely that they will become even more prominent players in Hollywood, as many urban areas are so devoid of their once plentiful history that they are no longer accurately able to represent themselves as a particular time period.

ENVIRONMENTAL MANAGEMENT

While historic preservation would seem to be capable of having a positive economic effect on tourism, housing, and the film industry, environmental management would seem to be an unlikely component. However, historic preservation and environmental management efforts are working towards the same ends, while following a parallel track. The most tangible link between the two is brownfield redevelopment. Again, this may seem like a barely plausible connection, but both preservation and brownfield redevelopment address the issues of growth management, community development, quality of life, and neighborhood revitalization.¹⁵ More specifically, both preservation and brownfield redevelopment seek to achieve the same end goals: a cleaner environment, the infill of urban centers, economic development/revitalization, and creative, productive communities.

Through its nature, historic preservation is an environmentally friendly practice. Not only does it save or rehabilitate old buildings, but it also reduces the need for new structures. Historic preservation is environmentally sound because by bringing a building back into commerce through adaptive reuse, communities can continue to draw on existing infrastructure, such as sewers, roads, and electrical wiring.¹⁶

Most new construction is not cost effective, as it is typically low-density in nature, and consumes more land per person than the traditional urban core. Building new structures on undeveloped land requires new infrastructure, causing negative environmental impacts, such as non-permeable surfaces, disrupted habitat areas, increased non-point source pollution, and demand for more ground water.

It is estimated that for every dollar gained in taxes and fees for new developments, that it costs a community

Figure 2. Historic Preservation Cluster

Tourism	Film	Housing	Environmental Management
Hotels	Hotels	Architects	Bioremediation
Restaurants	Restaurants	Interior Design	Construction
Bars	Artists	Construction	Planning
Museums	Retail	Landscaping	Real Estate
Tour Groups	Public Relations	Real Estate	University/Research
Retail	Security	Security	Sanitation
Transportation	University/Research	Sanitation	Landscaping
Public Relations	Planning	Planning	Regulatory Agencies
University/Research	Construction	Regulatory Agencies	Overlap Suppliers Construction Hotels Landscaping Planning Public Relations Real Estate Regulatory Agencies Restaurants Retail Sanitation Security University/Research
Security	Real Estate	University/Research	
Sanitation			
Planning			

Although each industry in and of itself functions autonomously from the others, they are linked as each contributes to the preservation cluster.

two dollars in infrastructure requirements. These negative effects are enhanced more rapidly when brownfield sites are involved. Communities with brownfields can suffer from increased health risks, a decline in livability, decreased tax revenues, and job losses. These blighted sights actually induce sprawl more rapidly as residents seek to move away from these contaminated areas, underscoring the need for historic preservation efforts at these sites.

Most often thought of as contaminated industrial sites, many of the estimated 130,000 to 450,000 brownfield sites are actually very conducive to preservation efforts. Many of these sites have buildings dating from the late 1800's to the early 1930's, which were used for manufacturing. In terms of serving their intended purpose, these buildings have become functionally obsolete. However, the same elements which made them obsolete as technology and innovation improved make them ideal for adaptive reuse through historic rehabilitation. They tend to have a boxy, utilitarian shape which can easily be reconfigured into highly customized spaces, especially for condominiums or apartments.

Many buildings have distinctive elements such as sturdy brick construction, old brick walls, high ceilings, wood columns or beams, intricate metalwork, hardwood floors, and cannot be easily or inexpensively replicated by new construction. These features coupled with the tendency for many brownfield sites to be located next to

rivers in urban areas have led to remediation and preservation efforts in cities across the United States over the last decade.

LINKAGES AND PRODUCTIVITY

The historic preservation cluster model will vary with each city, depending on the quality and quantity of historic structures, the emphasis placed on tourism, and the emphasis placed on environmental quality and regulation. Therefore it is necessary to use a generic model, one which can demonstrate in general terms, the use of a cluster based approach to historic preservation. Illustrated in Figure 2, the historic preservation cluster can be defined as a horizontal cluster, one in which the component industries have common resource bases, but few logical buyer-supplier linkages.¹⁷

Although each industry in and of itself functions autonomously from the others, they are linked as each contributes to the preservation cluster. Using the generic model, each of the four industries is broken down into sectors. Each sector in an industry is linked to one another as it contributes to that industry by providing services or commodities – acting as suppliers.

Another way in which linkages can be observed is in a number of supplier overlaps among the industries – which links industry to industry in the cluster. Overlaps occur in the security, landscaping, sanitation, construction, real estate, university/research, hotel, retail, public

relations, finance, and planning sectors. The key is to enable these overlapping sectors to share these resources through intra-cluster recognition and identification, and making an effort to use as many local suppliers as possible, further strengthening the local economy.

This spillover effect actually helps to increase competition among sectors and industries. A cluster can affect this competition in three ways: by increasing the productivity of constituent firms or industries, increasing the capacity for innovation, and stimulating new business formation that supports innovation – expanding the cluster.¹⁸ This cooperation/competition cycle spawned by the cluster leads to increased productivity. According to Porter (2000), productivity is increased in the following ways (examples of each using the historic preservation cluster provided by the author):

Access to Specialized Inputs and Employees – Relying on firms within the cluster for commodities and labor, in effect insourcing instead of outsourcing. For example, construction and construction related firms play a large role in historic preservation. These firms are used by the majority of industries within the preservation cluster (housing, film, environmental management), with highly specialized skills directly applicable to preservation. The local pool of talent, familiar with the needs and requirements of preservation, can be drawn on for its expertise.

Incentives and Performance Measurement – This is the essence of internal cluster competition. Because of the quick spread of reputation and performance within the local cluster, the likeliness of poor service or faulty products is drastically reduced. For example, security is a link among the tourism, film, and housing industries in the historic preservation cluster. If a company provided security services that were lackluster, this information would move quickly within the cluster, resulting in significantly decreased employment opportunities for the offending security firm. In order to maintain a solid reputation, each security company must continually provide high or higher levels of service.

Access to Institutions and Public Goods – Clusters allow for investment and return through public institutions, such as schools or universities, much more cheaply. Many universities will offer programs which draw on the strengths of the local economy. Graduates with specialized skills come more readily trained and are more cost effective than training new employees without such knowledge. Firm investment in university research, program design, and graduate assistantships and internships provides a cost effective way for industries in the historic preservation cluster to be more productive and competitive.

Complementarities – Coordination among firms in sectors related to a specific industry or industries results in higher customer satisfaction and therefore higher returns. In the tourism industry, the tourist's experience is affected not only by the quality of the activity itself, but also by the related sectors, such as hotels, taxis, restaurants, and tour guides. Coordination among these groups results in higher customer satisfaction, and eventually, greater numbers of tourists and dollars spent.

POLICY RECOMMENDATIONS

How does a city or region begin to develop a cluster based economic development approach to historic preservation? The best way is not necessarily to develop a comprehensive and complex plan. Using the available resources is an excellent starting point. Why? Because it is probable that any area with a strong preservation

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movement already has the necessary resources available to develop a comprehensive approach. These resources may include historic district boundaries, individual building ratings, zoning and codes, building types, and knowledge of future projects within or adjacent to historically sensitive areas.

The 'players' however, are likely unaware that they are part of a historic preservation cluster, and are linked to other sectors and industries within the cluster. Taking this into consideration, the basis of an economic development policy can be formed by using the following suggestions:

Identify each industry's components on a city by city basis. Each city will have a slightly different historic preservation cluster model based on quantity, quality, and emphasis on regulation for historic preservation as a whole, and within each identified industry.

Focus Groups should be used to bring together the sectors in each industry. This is necessary because many of these sectors will either be unaware of one another or possibly only vaguely aware that they share some of the same suppliers. They certainly would be unaware that they are part of a cluster.

Determine policy and program needs using focus groups. Focus groups should be viewed as a valuable policy shaping tool. The groups, which are comprised of sectors in each industry, are in the best position to determine their needs and to help develop a comprehensive economic development policy.

Consolidate supplier resources within overlap groups. A number of sectors between industries use some of the same services and suppliers. It is important to determine

what these are and to make an effort to use local supplies, suppliers, and services, further strengthening the economic ties within the cluster.

An excellent example of the importance of following a cluster based approach is within the film sector of historic preservation, a recently burgeoning industry within the preservation heavy city of New Orleans. While the recent explosion of the film industry in Louisiana, and particularly New Orleans, can be attributed to the tax incentives program aimed at luring movie production, the backbone of film making is the vast amount of historic structures which can be portrayed as a variety of time periods, cities, and regions.

While Hurricane Katrina caused a temporary slowdown in movie production – many of the movies already in production were shifted to unaffected areas of the state in the year following the storm – Hollywood has returned to New Orleans and more movies are being made there than ever before. Even though many of these movies do not fit the mold of the \$100 million Hollywood blockbuster, their proliferation is straining the already thin ranks of skilled workers needed in the movie industry, as the city continues to repopulate.

The type and skills of workers needed cover a broad spectrum – electricians, carpenters, painters, makeup artists, office workers, and various assistants. This presents speculation that New Orleans may not be able to sustain the momentum in film production.

While a work force shortage may not necessarily cause movie makers to move to locations that have a more ample supply of the workers needed, it could have the effect of causing the growth in the movie industry to stagnate. But it is not as if New Orleans does not have the necessary amount of talented and skilled workers to fill the positions. It is likely that if the policy recommendations for the formation of a historic preservation cluster were followed, that the workers needed and the movie industry both would be aware of corresponding needs and skills. While not all films in New Orleans require a historic preservation component, the skilled labor needed could be identified as part of the 'overlap suppliers' in the overall historic preservation cluster. This awareness of various industries and individuals within a cluster is a key component to developing a successful cluster.

History has shown that most people within clusters are not at all aware that they are connected in various ways to people in seemingly different industries but who are nonetheless part of a network of suppliers which overlap. As part of an overall historic preservation cluster in the New Orleans metro region, it is likely that the same workers and suppliers needed for the movie industry are also functioning within other sectors of the cluster; they simply have not been identified and consolidated in a meaningful way.


CONCLUSION

Many urban cores across the country have been built and built upon by generations of people, each investing a part of themselves into the fabric of the area. The result is

a rich inventory of history and heritage through the built environment, which serves as a viable, powerful economic engine in the form of historic preservation today. The intrinsic cultural and architectural value of these buildings and neighborhoods alone is worth the effort to preserve them for the educational, historical, and aesthetic value that they provide. Unfortunately, developers frequently overlook the covert values of historic preservation, instead choosing to focus on the easily defined economic values of new development, which can easily be demonstrated to shareholders and lending officers.

Historic structures are often thought to be cost prohibitive because they often lack amenities such as communication infrastructure, modern floor plans, adequate off street parking, and require more upkeep than contemporary structures. From a development standpoint, it is just more simple and convenient to remove historic structures and to build modern structures with specific amenities in their place.

In order to stave off destruction of historic structures, neighborhoods, and communities via development, historic preservation must be able to prove its worth in terms of realized, tangible economic benefits rather than intangible, cultural benefits. Preservation must have cumulative economic benefits that put it on par with other economic development efforts which are more convenient to enact but are highly destructive to preservation efforts.

Fortunately, preservation is not only compatible with contemporary economic development efforts, but the four industries of tourism, housing, environmental management, and the film industry are viable, profitable keys to the use of historic preservation as an economic development strategy. These industries can actually have their economic output amplified if developed as an integrated economic development effort. Using a cluster based approach to historic preservation can alter the economic development of a city and region by linking the sectors and ultimately the industries themselves. This allows for the consolidation of resources, increased industry competitiveness, and an investment that benefits existing sectors, and attracts new firms. By taking this approach, historic preservation will be viewed less as an expensive luxury and more as a driving economic force within a metropolitan region as part of a cohesive economic development strategy. 

ENDNOTES

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| ¹ Porter 2000, 17 | ¹⁰ Listokin and Listokin 2001 |
| ² Porter 2000, 17 | ¹¹ Maharaj 2002 |
| ³ Travel Industry Association of America 2004 | ¹² Listokin and Listokin 2001 |
| ⁴ McClendon 2003, 2 | ¹³ Rypkema and Wiehagen 1998 |
| ⁵ McClendon 2003, 2 | ¹⁴ Rypkema 1997 |
| ⁶ Rypkema and Wiehagen 1998 | ¹⁵ Paulus 2001, 1 |
| ⁷ Stipe 2003, 65 | ¹⁶ Singer and Ploetz 2002, 7 |
| ⁸ Stipe 2003, 65 | ¹⁷ Held 1996, 250 |
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Certified Economic Developer (CEcD) candidates must complete all four (4) core courses.

- Introduction to Economic Development or Basic Economic Development Courses
- Business Retention and Expansion
- Economic Development Credit Analysis
- Real Estate Development and Reuse

Elective Courses

Certified Economic Developer (CEcD) candidates must complete two (2) core courses.

- Economic Development Finance Programs
- Economic Development Marketing and Attraction
- Economic Development Strategic Planning
- Entrepreneurial and Small Business Development Strategies
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